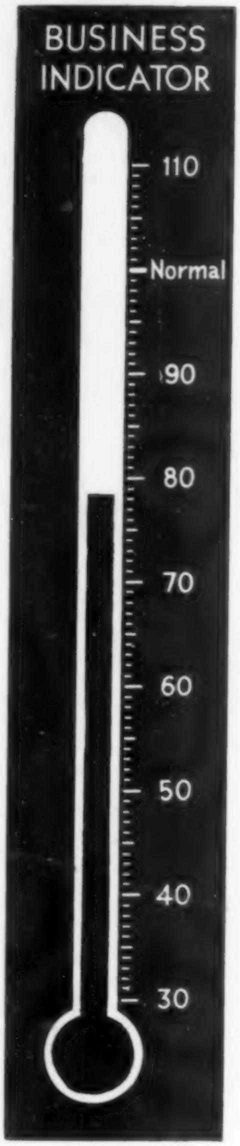
MAY 27, 1931

THE BUSINESS WEEK



The unrelieved monotony of general trade stagnation shown in the weekly indicators tends to obscure underlying currents of encouragement and tempts the imaginative to dramatize the tedium with rumors of further difficulties impending . . . . Our index, still oscillating around the depression level, neither fully reflects these undercurrents nor justifies these fears . . . . The continuous, cautious rise of the Federal Reserve Board's monthly production volume index since the beginning of the year, for the first time in the course of the decline, is undoubtedly significant . . . . The relative strength of residential building is one of certain other straws that suggest slow improvement in fundamental factors . . . . Most important of all is the plain indication that Federal Reserve credit policy is pointed toward expansion and that its persistent pressure is beginning to break down resistance in the interest rate structure and to bring reassuring results in the bond market—at least for the large governmental issues—to support the public construction that may ultimately be necessary to stimulate recovery or meet unemployment emergencies . . . . Events of the week, especially abroad, at least show that governments have begun to grapple in earnest with problems which business leadership has been unable or unwilling to tackle . . . . The European conferences especially imply the progressive collapse of laissez-faire and the consequent inescapable appeal to public authority.

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What's In This Issue —And Why

Gold Diggers

INDIANA'S proposal to tap the chain stores for taxes is upheld by the Supreme Court. Legislators elsewhere, urged by local independents and politicians, join the rush for the new rich fields. Consumers prepare to pay, as usual. (page 5)

Skirmishes

AROUSED by wage raids, heartened by the A. F. of L. proclamation, labor strikes back here and there. (page 9)

Cuts and Effects

WAGES are only a part of the price, 16.5% on an average. To cut them 10% reduces the price less than 2%, a high price to pay for a price cut. (page 10)

Flying R. R.

THE New Haven Railroad, watchful of increased air travel between New York and Boston, may take the air itself, provide even faster service with more convenient air terminals. (page 11)

Spending Census

OF the money Californians spent in stores, more went for automobiles than for food. Other comparisons of interest are revealed by the first complete, state-wide figures. (page 12)

Partners in Debt

WITH land and crop values down, all costs up, the farmer is deeper in the red than ever. Banks, insurance companies, other holders of farm paper are stained with the same ink. (page 22)

World Bread

LOCKED in presumably secret session, delegates from the wheat producing countries strive to reach in London the compromise they failed to find in Paris, Geneva, and Rome. (page 19)

Chain Farming

CORPORATION farming benefits by organization and efficiency, individual farming by initiative and personal interest. Kansas, however, declares the corporate effort illegal. (page 20)

Wayside Inns

TRAVELERS by road now shun the settlements; plans for 100 "Autohavens" (hotel and restaurant and garage) locate them well outside the cities. (page 16)

The Great Decision

DEVELOPMENTS in Geneva indicate all too clearly that Europe must make up its mind— and soon — whether to continue under the barbed wire security of a "balance of power" or cooperate to solve its common economic problems. (page 34)

Trade Wanted

FASCIST Italy fears no Communist contamination, welcomes mounting Russian orders for ships, trucks, and planes. In exchange she gets the oil and wheat she needs. (page 33)

Outside the Law

THE government has no place for wide-open competition in its plans for Boulder City. This super construction camp, outside the Anti-Trust Law, will have only enough stores to supply the demand. (page 14)

Silver King

JOHN FREYLINGHAUSEN HARMAN, retired, leaves his mark on the silver market. (page 26)

Hide and Seek

THOSE who believe in the efficacy of hides as a barometer of business seek comfort from the rising price. (page 31)

Earnings

FIRST quarter earnings of 357 representative corporations were off 46% from the same period in 1930. Exceptions were few but notable. (page 7)

The HORN OF more-than-PLENTY

The American Business Man has gone mythology one better.

The old-timers rhapsodized about a theoretical horn from which Nature would pour forth plenty for all her children. To the efforts of Nature, we have added the efforts of a Machine Age. *We* have a horn of more-than-plenty.

Or so it seems. But we know very well that our potential consuming power is away ahead of today's *so-called* excess plant capacity.

And so, the problem is clearly indicated: To bring production and consumption into mesh. A large order! But we seem actually to be evolving the mechanism to do the job.

Right alongside the over-worked miracle of large-scale Production, we have been creating the balancing machinery of large-scale Distribution.

Distribution is no panacea for the world's ills. But Distribution, skilfully managed, can do things once undreamed of. It can shorten the distance to the source of supply. It can move that source of supply just as near to the buyer as the distributor's nearby warehouse. It can release capital the buyer might otherwise tie up in needless reserve material. It can relieve the buyer of the whole problem of being, unwittingly and unwillingly, in the warehousing business.

As the efficient distributor earns and receives the opportunity to touch industry at more points, he widens his broader function of helping to mesh the machinery of production with that of consumption. He helps both maker and user to revise the horn of more-than-plenty so that it begins to look like a horn of exactly-enough.

Alert students of the far-reaching interrelation between the two great forces of business life — Production and Consumption — are coming to attach more and more importance to the vital connecting link between the two — Distribution. As the nation's foremost distributor of electrical products — bridging the gap between the leading manufacturers and an army of consumers everywhere — Graybar functions to achieve and maintain economic stability along truly scientific lines.

GraybaR
ELECTRIC COMPANY
GRAYBAR BUILDING NEW YORK, N. Y.

DISTRIBUTORS OF 60,000 ELECTRICAL ITEMS THROUGH 77 DISTRIBUTING HOUSES

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending May 23, 1931

Supreme Court Ruling Paves Way To Wide Taxation of Chains

Upholds Indiana law by vote of 5 to 4; consumer will bear brunt of additional impost

DECISION of the Supreme Court of the United States upholding the state of Indiana's chain store tax law is expected to have far-reaching consequences, eventually result in important changes in many industries and in the distribution of consumer goods.

Interest in the case has been countrywide and not merely among manufacturers of consumer goods, chain store operators, associations representing .independent merchants, individuals concerned over the continuing spread of chain store selling, or others directly affected.

Need New Taxes

Legislators in many states, confronted with the need for tapping new sources of revenue, have been urged by independent tradesmen, local protective organizations, political interests, to put taxes on chains and they, too, have awaited the present decision for guidance in framing chain tax legislation.

The case was taken to the U. S. Supreme Court by the State Board of Tax Commissioners of the State of Indiana after a specially constituted District Court enjoined the Indiana Tax Commissioner from enforcing the provision of its 1929 chain tax law and collecting from Lafayette A. Jackson, owner of 225 grocery stores, a total of $5,443 in license taxes. That court held the new law to be "offensive to the federal and to the state constitution." It claimed that the act failed to fulfill the constitutional requirements that "law-making bodies shall apply the same means and methods to all persons of the same class."

Must Have License

The statute now upheld provides that it shall be unlawful "to establish or operate any store within the state without first obtaining a license which must be renewed annually."

The annual license fees in Indiana are $3 for one store, $10 each for the second to fifth stores, $15 each for the sixth to tenth, $20 each for the tenth to twentieth, and $25 each for every store above 20 operated "under the same general management, supervision or ownership."

Compares Advantages

In its decision the Supreme Court cites some of the outstanding advantages possible under chain store operation. It practically eliminates the possibility of subjecting voluntary chains to chain taxes in that it clearly sets forth that "it need only be remarked that these are voluntary groups and that series of independent units cannot in the nature of things be as efficiently and successfully integrated as a chain under a single ownership and management."

Admitting that individually owned department stores, taxed but $3 annually under the disputed law, reap many advantages, employ methods of chain stores, the decision draws the extremely important and fundamental distinction that "whereas a department store spreads its efforts over a number of different sorts of shops under one roof, the chain store owner concentrates his energy upon but one kind of store located in many neighborhoods," and that "obviously greater specialization in management is possible in the latter type of enterprise than in the former."

4 Dissenting Opinions

While the decision to uphold the Indiana tax law is final, representing the opinion of 5 justices including Chief Justice Hughes, a dissenting opinion was submitted by 4 remaining justices. This clearly indicates the delicacy of the questions involved and the importance evidently attached to the case by the justices.

Former decisions cited by the majority are referred to in the dissenting opinion with finely shaded differences of opinion, while previously quoted comparisons between chain stores and a single department store are held "wholly irrelevant." The act is called "a clear and hostile discrimination" and "the legislature has misapplied its power to classify with the result of reaching an end forbidden by the 14th Amendment."

Immediate Effects

Immediate effects of the decision may become evident in several quarters. Of 44 state legislatures meeting this year fewer than one-third have adjourned. Among those still in session are many that now have chain taxing measures under consideration. Many of those measures were patterned after the Indiana law or that of Mississippi or North Carolina, the latter 2 now before the U. S. Supreme Court awaiting decision.

It is likely that legislatures in states where public sentiment strongly favors chain taxes may revise pending measures to conform to the now sustained Indiana law.

Furthermore, with at least one type of what might be termed anti-chain taxation upheld by the highest court, agitation for such legislation is expected in states not previously so affected.

Burden on Public

Chain operators take the matter more or less philosophically. Taxes have always been considered a part of the legitimate operating expense of any business. As such, they were added to the cost of the goods and became part of the final retail price paid by the consumer. Any new tax burdens imposed by any state must necessarily increase the consumer's cost of merchandise sold by the chain stores, within that state. Thus any burdensome taxes would probably raise the general price level slightly, might somewhat reduce any existing gap between prices quoted by the chains and those by independent retailers, without in any way disturbing the underlying economic causes for the recent tremendous expansion of chain store selling.

Since late 1929 most of the important chain systems have been engaged in a definite program to eliminate unsatis-

factory or unprofitable units, to concentrate greater effort upon increasing the efficiency of existing units, to limit new expansion to localities and locations where conditions and known potentials will insure profitable operation.

Prohibitive taxation will simply serve to encourage continuance of that program.

However, there is much speculation as to how far-reaching the present decision may eventually prove. The term "store" as used in the Indiana act "shall be construed to mean and include any store or stores which are owned, operated, maintained or controlled by the same person, firm, etc., in which goods, wares or merchandise of any kind are sold either at retail or wholesale."

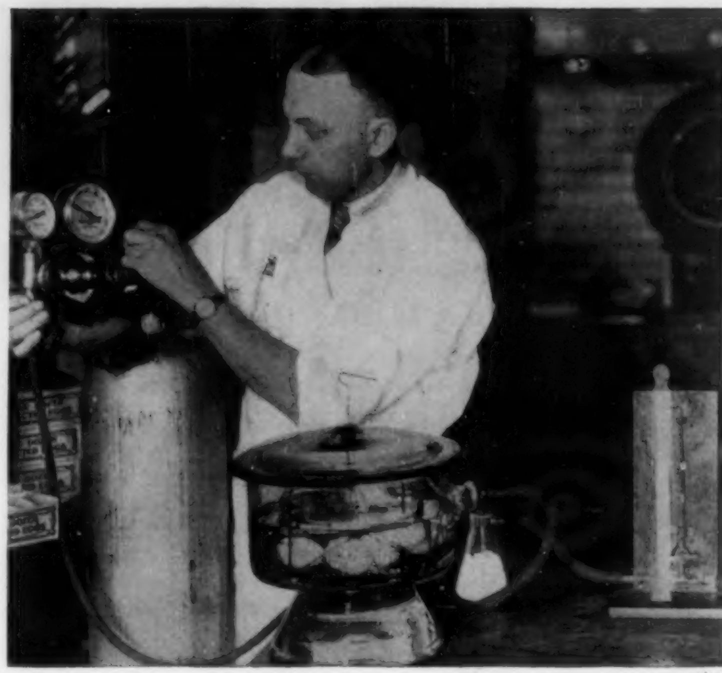
Includes Other Groups

This clearly includes all groups of chain stores or retail establishments. It obviously would include gasoline service stations, news-stands at railroad stations, bus terminals and hotels.

There is some speculation as to whether or not owners of milk routes, gasoline and oil routes, of wagon routes selling groceries, when operating more than one vehicle, will be classified as chains.

It is also pointed out that state tax legislation, which is generally aimed at national chains, will to an increasing measure be a burden upon the citizens of the same state in that local or sectional chains are spreading more rapidly than national chains.

U. S. census figures on retail trade in California (only state to be completed) show that national chains accounted for but 7.7% of the state's total retail sales volume, while other types of local or sectional chains with 2 or more stores took 35.8% and independents 55.3%.



Acme

GASSING THE EGG—*Cold storage eggs "shrink" due to loss of water and carbon dioxide. T. L. Swenson, of the Department of Agriculture, demonstrates his method of sealing eggs. Before going into storage, eggs are submerged in oil in a vacuum; carbon dioxide is admitted, releasing the vacuum, causing the shell to absorb the oil and gas, forming a seal*

Utility Sales Experiment Fails to Settle Problem

REPORT of the first 6 months' operation under the experimental plan by which Southern California Edison Co., Ltd., refrains from direct merchandising at Long Beach, Calif. (*BW—Dec3'30*), permitting independent electrical dealers and other retailers to do all selling of electrical appliances, particularly ranges, leaves the pending issue undecided.

Measuring effectiveness by range sales, the 50 sold at retail, 50 at wholesale to apartment houses, 100 in all, are still 33% less than the quota of 150 that under normal business conditions should have been reached. But, say the dealers, total range sales in the southern California area declined 42%, there was a 42% decline in permits issued by the Long Beach electrical inspector, and sales on gas ranges by hardware and department stores dropped 75%.

Slow Get-away

They further state that they were unprepared, that it took them some time to get under way with a plan, with deciding policies, finding and educating sales personnel. Only 3 department stores, 2 electrical contractor dealers, 2 electrical specialty shops, 2 furniture stores and 2 hardware stores were found willing to try selling ranges.

Meanwhile, as agreed in the plan, the power company continues its display of ranges, refrigerators, other appliances, matches the dealers' advertising.

Reviewing the 6 months' operation, the power company states: "Our only interest is building domestic consumption and revenue. We withdrew to permit this experiment and are cooperating fully. No conclusions should be drawn from these first 6 months. We believe the ensuing 6 months will tell the story. We hope the dealers will succeed, but believe that cooperative selling will prove necessary."

Cigarette Makers May Try To End Profitless Selling

ON top of the attempt to stabilize retail prices of cigarettes to give dealers a chance at least to cover bare handling charges, come rumors of an early increase in wholesale prices.

Independent cigar, tobacco, and drug stores were quick to follow the lead of the important chains in these lines, bringing retail prices on popular cigarette brands up to 15¢ per pack of 20, 2 for 29¢, 28¢ or 27¢. However, many grocery chains have stuck with the Great Atlantic & Pacific Tea Co. at 2 packs for 25¢. Now, finding their sales adversely affected by this grocery store competition, A. Shulte, Inc. and United Cigar Stores Co. have come back to the same level.

No actual announcements have been made but an increase of 40¢ per thousand is probable, bringing the wholesale price to $6.80 per thousand, from which certain discounts are then allowed for quantity purchases.

On that price basis, retailers forced to put their prices back to 15¢ would make a profit of about 18%, against the current 7% to 9%, more nearly sufficient to prevent sales at a loss.

First-Quarter Earnings Dropped 46% Below Showing for 1930

Decline, sharpened in succeeding months, measures seriousness of problems now faced by business

THE aggregate profit of business for the first quarter of 1931 is now shown to have dropped 46% below the level of the same quarter a year ago, itself none too prosperous a period. The decline was by no means uniform from industry to industry. Some concerns found it possible to beat their 1930 record under the greater difficulties of 1931.

These are the salient findings of a comprehensive compilation of first-quarter earnings made for *The Business Week* by the Standard Statistics Co. Detailed study of the compilation reveals striking facts about the course of business, raises some vital questions for the months ahead—questions affecting management efficiency, economic policy, and the social balance between capital and labor.

Tracing the Decline

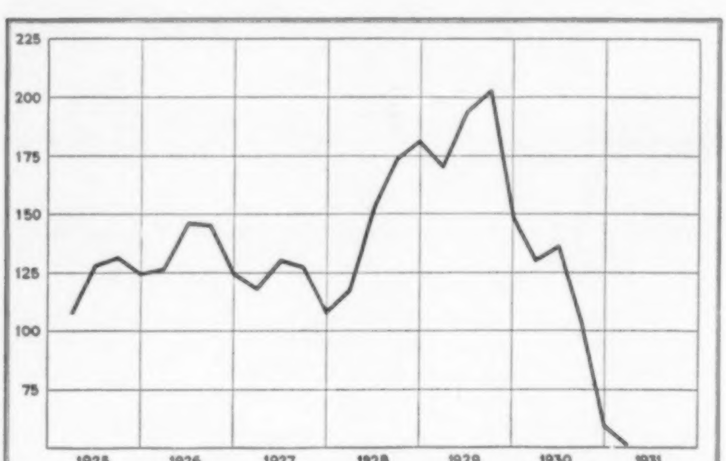
The bare figures show that the profit decline has been heaviest in the heaviest industries and those most directly concerned with raw commodities; lightest on apparel, food products, drugs, services, and utilities.

Running more than 30% behind 1930's first quarter were automobiles, electrical equipment, miscellaneous manufacturing, office and business equipment, paper. Retail trade and the theaters got into this group despite the general rule. Declines of more than 60% hit automobile parts and accessories, building, mining, railroads and rail equipment, steel and iron. Beyond—or below—stand the industries reporting aggregate deficits. They include copper, brass, lead, zinc, leather, shoes, machinery, shipping, many of them in the red for the last year or more.

Leading Question

With the platitudes and the dogmas barred out, the chief question presented by these reports is: "How long can companies continue to run in the red, paying wages—and, in some cases, dividends—out of surplus?" For industries not yet in the red: "Is it good business to wait until losses actually show up before doing something drastic?" With two-thirds of it now gone, the second quarter promises profits even lower than those of the first. And the long decline in earnings has already driven efforts for greater efficiency to a point where, in some cases, nothing further can be hoped for along this line, where major readjustments seem inevitable.

Bankers have submitted their answer to the question, have been damned for it, and have retorted that they are realists. Labor leaders insist that it can be ignored. Both have a point. In some industries surpluses are so huge that the costs of "profitless business" can be met for some time; in others, capital finds nothing in its pockets with which to pay the piper for running business to this tune.



Midland Bank of Cleveland

EARNINGS—*The trend of profits of 100 leading corporations explains the drop in securities and the difficulty of maintaining wages and dividends*

The Earnings Report By Industries

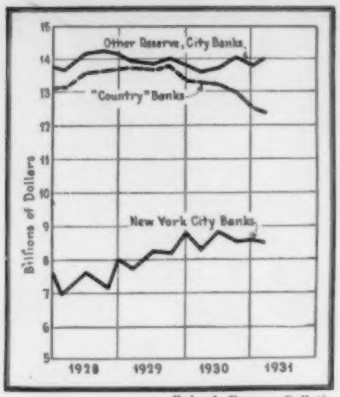
Number of Companies		*% Change from 1930. First Quarter*
12	Advertising	—30
4	Aircraft	+188
4	Apparel	—5
16	Automobiles	—48
29	Auto Parts & Accessories	—63
13	Building	—65
14	Chemicals	—30
6	Coal & Coke	+285
7	Copper & Brass	d*
10	Electrical Equipment	—58
26	Food Products	—3
8	Household Products	—84
3	Lead & Zinc	d
1	Leather & Shoes	d
15	Machinery	d
5	Mining	—97
5	Miscellaneous Drugs	—6
22	Miscellaneous Manufacturing	—46
9	Miscellaneous Services	—10
6	Office & Business Equipment	—48
22	Ore Producing	d
8	Paper	—34
1	Radio	d
8	Railroad Equipment	—70
1	Rayon	—96
13	Retail Trade	—41
1	Shipping	d
2	Silk	d
23	Steel & Iron	—89
3	Theaters	—32
5	Cigars, Manufactured Tobacco	—19
302	*Total Industrials*	—58
10	Electric Power & Light	—8
5	Telephone & Telegraph	+13
9	Tractions	—16
24	*Total Utilities*	+3
31	Railroads	—67
357	TOTAL	—46

*d = deficit

The 4 Plus Signs

Four plus signs appear on the summary table. Two of these—in the utility section—are due to the might of A. T. & T. and there are now indications that this company has suffered in the second quarter. The gain in aircraft earnings is explained by a much smaller deficit reported by one company. The coal and coke gain appears to be bona fide.

The list of companies making more



Federal Reserve Bulletin

BANK CREDIT—*The record of the last 3 years shows that banks outside the 60 leading cities have been hardest hit by hard times*

money in the first 3 months of this year than in the same period of last is vastly smaller than that of those who made gains in 1930 over 1929. As reported to date, it is made up of:

Waldorf System, Auburn Automobile, Lehigh Valley Coal, American Chicle, Zonite, Telautograph, Scott Paper, Century Ribbon Mills, Commonwealth Edison, Peoples Gas, Light & Coke, N. Y., Chicago & St. Louis, A. T. & T., Bohn Aluminum & Brass, Butterick, International Business Machines, National Biscuit, Western Dairy, Canada Dry Ginger Ale, New England Tel. & Tel.

Chicago Great Western, Lambert, National Distillers, Hershey Chocolate, Consolidated Gas of Baltimore, Standard Brands, Affiliated Products, Philadelphia & Reading Coal & Iron, Amerada, Irving Air Chute, United Gas Improvement, Grand Union, Pacific Tel. & Tel., Anaconda Wire & Cable, Ludlum Steel, Paramount-Publix.

Canadian Pool Would Make Selling Unpopular

CANADIAN financial interests with strong backing, stirred to action by the continued market decline and the threat of financial difficulties ahead, have formed a pool to support Canadian securities in Montreal. Their plan is similar to that launched but not made very effective in the December, 1930, collapse. This time, however, they have brought in several important concerns which declined the 1930 invitation, raised a fund of considerable size.

Accompanying the effort to support prices is one to halt selling, either by "shorts" or for genuine liquidation. Sellers are being confronted by technical difficulties, by appeals to their patriotism. And buying has been made easier by a general reduction in margin requirements.

How far the pool will succeed—or go in the attempt to achieve success—remains to be seen. Some buying has resulted. So has a transfer of some traders' activities to the New York market.

Country Banks Bear Brunt of Liquidation

A FURTHER general decline in bank loans of all classes marked the first 3 months of the year. This is clearly shown by the first comprehensive figures available, just made public by the Federal Reserve Board. This loan decline tells its story of a smaller demand from business, of further hesitancy on the part of the banks in lending.

With loan repayment money the banks ran to government securities first, putting what was left over into the highest grade short-term investments such as acceptances, commercial paper, call loans. The difference between loan reduction and the growth of investments —$112 millions—was the genuine liquidation. While this was smaller than seasonally, the decline started from a lower level.

The chart on this page shows that the brunt of liquidation throughout the depression has been borne by country banks—all those outside of about 60 largest cities of the nation. A number of failures, acute agricultural and real estate troubles, and the flight of money to the big cities have been responsible factors.

The gain of funds by larger cities outside of New York during the year reflects confidence held in the banks in those cities and the unusually low rates of interest prevalent in New York City.

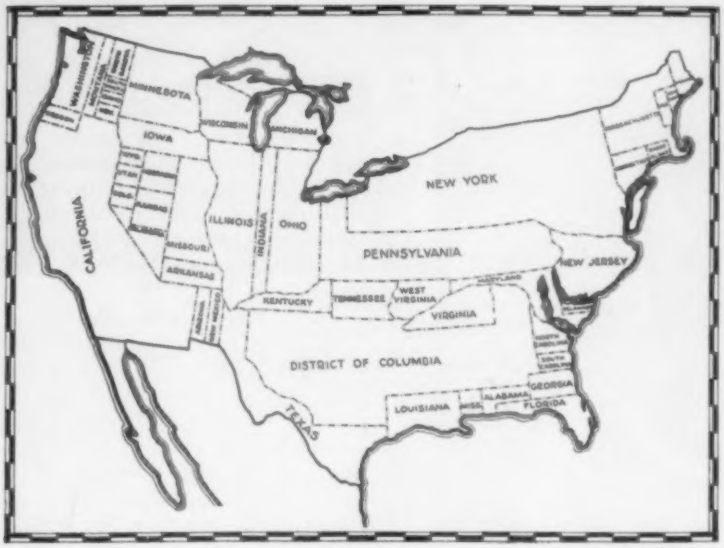
Doak Seeks Solution Of Old Labor Problem

SECRETARY DOAK has appointed a special committee under Dr. C. A. Prosser, Dunwoody Institute, Minneapolis, to rout the bugaboo of technological unemployment, heritage of the industrial revolution, held by many an underlying cause of worldwide depression.

With an initial appropriation of $200,000 the committee will study relief measures, not causes; will make an initial report Nov. 1; a second, perhaps final, report July, 1932. No industrial employers are directly represented on the committee and, with the exception of the chairman, all are Washingtonians. Other members are Perry W. Reeves, Dr. J. C. Wright, A. O. Wharton, F. C. Croxton, John P. Frey, John R. Alpine, Mrs. Josephine Barron, L. W. Wallace, E. E. Hunt.

International News

TROUBLE AT THE MINES—*A little while ago, Evarts, Ky., was the usual coal town with the usual troubles; now, it is an armed camp, with bullets whining overhead. Miners struck, race warfare started, troopers arrived*



Russell T. Gray

PUBLIC BUILDING—*In this map, each state has been given an area in proportion to the public buildings planned for 1931. Figures do not include private buildings, roads, bridges, dams, and similar projects*

Labor Is Warning Employers It Can Be Pushed Just So Far

Scattered strikes, A. F. of L. statement are signs that wage-cutting has reached resistance point

LABOR has made up its mind to resist further attacks upon its wage scales. The growing opposition is traceable by the rapidly increasing number of strikes reported. It took definite form a few days ago with a trenchant challenge from the American Federation of Labor to wage-cutting employers.

The federation now urges organized and unorganized workers to resist to the fullest extent all attempts to reduce wages; accuses banking interests of playing false with the promise made to President Hoover in the fall of 1929; cites Goodyear and Goodrich as leaders in wage-cutting; maintains that reduced purchasing power and extended depression must result from wage cuts.

Strike Threats

While no direct mention of strikes was made in the statement from Washington, it contained a fairly plain threat of industrial warfare if current wage-cutting policies are continued and a tacit promise of federation support for workers striking against cuts.

Close behind this came Secretary Doak's statement on Monday that the administration would consider any general attempt to cut wages as a violation of the solemn pledges given to the President 18 months ago; that such a disregard of promises would justify labor in retaliatory action such as was threatened in the A. F. of L. statement. Despite the usual qualifying clause that he had no reason to believe extensive wage cuts were on the way, Mr. Doak's warning is ample evidence that the fears voiced by the A. F. of L. are warranted.

Silk Cuts

In Allentown, Pa., and vicinity some 6,000 employees of 39 silk mills are on strike against wage cuts. This is the first serious labor conflict which has taken place in this second largest silk manufacturing city in the country in 59 years.

In Morgantown, W. Va., some 5,000 miners in the Scotts Run field have struck in protest against a proposed wage cut. An attempt to impose a 15% cut on employees of Empire Steel Corp., Massillon, O., caused 1,600 men to strike; they refused to return when the management offered to cut the cut to 10%. Three shirt companies in and near Glens Falls, N. Y., are idle because of employees' refusal to accept a 10% wage reduction.

In Houston, Texas, about 800 building tradesmen refused to accept a $2 a day reduction offered by the Associated General Contractors, affiliated with the Houston Builders Exchange; jobs of 25 to 30 contractors, members of the association, are stopped. In Indianapolis, several hundred building tradesmen, balking at a 20% cut demanded by the Associated Construction Employers, have quit work. In St. Louis 3,500 employees of the Public Service Co., operators of trolley car lines, voted to strike against a 10% wage cut effective May 19.

"Local Situation"

In Shreveport, La., railroad unions are fighting the attempt of the Louisiana & Arkansas Railroad to cut 5¢ an hour from the pay of its shopcraft workers; maintain this is the entering wedge of a railroad attempt to break down the present rail wage scales. The railroad maintains it is only a local situation, has no national significance. The Colorado State Industrial Commission has defeated the attempts of 2 contractors in Denver to reduce wages to $2.50 a day; declares that such a reduction would delay return of better times.

Perhaps the most encouraging sign is the demand by the American Legion that President Hoover call a nonpolitical conference to seek a solution for unemployment and depression. With a membership of 900,000 citizens, highly organized and influential in local, state, and national political affairs, the Legion is likely to get strong support for its plan and may actually get something done rather than said.

Engineers Want No Wave of Social Legislation

THE American Engineering Council urges its members to unite in opposition to "unwise" labor legislation proposals, born, it says, of hysteria caused by depression. The council deplores any attempt to do by law what industry can better do for itself; particularly warns against measures which while "ostensibly providing insurance would really bring about the dole."

Social legislation exponents retort that perhaps industry could solve its problems, but that after many years it hasn't. Labor leaders are a bit skeptical that industry in general has experienced a great change in its personnel policies; they point to the wave of wage cuts as direct evidence to the contrary.

But the council, unlike many other

The Business Week

RAILROADERS—*Ralph Budd (left), president of Great Northern, and Arthur Curtiss James, largest stockholder, at the annual meeting. This started in St. Paul and continued throughout a 3-day inspection trip over the system, which enabled the study of problems on the spot. Mr. James said prosperity was linked with the well-being of the railroads; he regretted that the cherries of Wenatchee were not ripe when he passed through on the traveling directors' meeting*

critics of social legislation, is going to develop a plan of its own. A distinguished committee—R. E. Flanders, Dean Dexter S. Kimball, L. P. Alford, F. J. Chesterman, and L. W. Wallace—will try to discover a permanent solution of the unemployment problem.

This group of engineers should be as successful as any in completing such a program. Engineer-like, however, the council declared it to be of more importance that a sound solution be found than that that solution be discovered quickly.

Cost and Job Surveys Discount Economies From Wage Cuts

CURRENT agitation for wage reductions rests heavily on the argument that wage cuts reduce costs and selling prices, whence accelerated buying and generally expanded business activity.

In exaggerated form the argument carries the implied suggestion that wage cuts are reflected directly in reduced costs; that a 10% wage cut should permit a 10% cut in selling costs. Most business men know this is not true; perhaps fewer realize to what a relatively small extent wages affect final costs of manufactured products in this age of mechanical equipment and the high cost of sales.

According to the 1929 manufacturing census, complete returns from which have but recently been published, wages paid out in all manufacturing concerns of the country were equivalent to 16.5% of the total cost of the products made. On this basis, a general 10% wage cut throughout industry would, at its maximum effect, permit total cost reductions of less than 2%.

Of the major industries covered in the census only 5 (aircraft and parts, glass and glassware, machine tools, ship building, timber products and lumber) pay out more than 30% of the total value of their products in wages. In shipbuilding, carrying the highest labor charge, a 10% wage cut would, under the best conditions, permit less than a 4% reduction in total costs.

At the other end of the scale are a number of important industries such as canning and preserving, flour and milling, meat packing, motor vehicles, paints and varnish, petroleum refining, in which labor costs are less than 10% of total cost of production; where any reasonable wage cut could have but negligible effects upon total costs and selling prices.

Effect on Morale

Still further minimizing the cost-saving effect of a wage cut is its effect upon workers' morale, hence upon production. Stanley B. Mathewson, director of personnel at Antioch College, and 6 others recently donned overalls, investigated 105 establishments, found 223 instances of deliberate restriction of output by workers, some of them in companies whose managerial control has been highly touted. Since these establishments were located in 47 localities, included a wide range of industries, the Mathewson survey, sponsored by the Personnel Research Federation, may fairly be assumed to portray typical conditions throughout industry.

Wage Earner Thinking

Two fears are responsible: of wage cuts, of unemployment. Wage earners have been convinced by many sad experiences that more than average output by any member of a group means greater demands upon the entire group with no increase in pay. They believe that employers have a maximum amount which they will permit any worker to earn; that additional earnings will ultimately be followed by rate cuts. Thus the worker's task, in his own interest, becomes that of determining this maximum and then so gypping his working record when piece or bonus rates are being set that he can obtain it with the least possible effort. The investigators found numerous cases where 2 and 3 times the normal output was easily possible but was not being obtained, because the employees knew that rate cuts rather than increased earnings would follow any attempt by them to obtain maximum production. Under present conditions this situation is probably somewhat alleviated by the potential threat of the unemployed at the factory gates.

Similar conditions prevail in regard to employment. When the end of available work is in sight soldiering is common, and anticipation of this time may affect productive output for many months in advance.

Mr. Mathewson sees no reason to

doubt that so long as employers fail to provide other kinds of security the worker will seek to get it by restriction.

The extent to which this already common practice might be extended after a general wage cut had instilled still more fear of unemployment and further reductions in the workers' minds further discounts the economies to be expected from wage-rate cuts.

New Haven Would Beat Air Lines At Own Game With Faster Route

CONCERNED at the increased carryings of the Boston–New York air line, the New Haven Railroad is giving consideration to the establishment of a rail-owned route between the two cities.

Not only will it mark the first completely railroad-controlled aviation subsidiary in the United States, but the first time that any railroad has undertaken to fight independently-owned air lines with a similar service of its own.

Not the First

There is precedent for the project in the ownership of the Canadian Airways by the Canadian Pacific and Canadian National Railways, which decided that the best way to bring a potential competitor under control was to buy it out, lock, stock and barrel, and maintain it as a rail subsidiary. Pennsylvania Railroad also purchased a 10% interest in T.A.T. and is believed also to own some stock in the New York, Philadelphia & Washington Airways.

New Haven believes it can offer faster service between the two cities than that of American Airways by carrying passengers by rail to airports located in the direction of the destination. Such a plan would cut down the air mileage by 30 or 40 miles and would save the bus haul from New York over to Newark—in the opposite direction from Boston—and a similar "backward" bus trip in Boston. This saving, it is believed, would amount to about 30 minutes. American Airway's schedule is 1¾ hours eastward, 15 to 20 minutes slower westbound.

Where Time Is Lost

In fact, the bus journeys to airports are now the greatest obstacle confronting airlines, especially in districts where the flight itself is only approximately two hours, for the bus rides at both ends consume almost as much additional time. Thus, the railroads feel that air traffic is not a competitor to be feared greatly in the shorter trips (up to 250 miles) at the present time.

New York–Boston traffic by air is now averaging 2,000 passengers monthly, equivalent to approximately 30 each way, daily, or one parlor car of rail travelers, although, actually, not concentrated into one departure time, so the comparision is figurative at best.

The New Haven is not planning immediate steps, believing that the aviation business at present holds forth no prospects of compensatory operation, but *The Business Week* learns confidentially that the railroad has made definite studies as to operating costs, potential traffic, and other factors upon which it will base its final decision.

Railroads Have Cut Supply Purchases 21.8%

RAILWAYS spent $291 millions less for supplies in 1930 than in 1929—$1,038 millions, against $1,329 millions, a reduction of 21.8%.

This decrease in purchases for maintenance, computed by *Railway Age* from figures supplied privately by roads representing 60% of the purchasing power, offsets many times over the slight increase in capital expenditures which followed President Hoover's request that such be kept up. Capital investments, including locomotives and cars, amounted to $872 millions in 1930, against $854 millions in 1929 and $677 millions in 1928. Rolling stock was $328 millions in 1930 against $321 millions in 1929. These purchases are considerably curtailed now.

Downward Trend

Normally railway purchasing runs fairly even month after month. Such was the case in 1929. But in 1930 the trend was steadily downward. As compared with the same month of the previous year March was 7½% down, May 15%, July 20%, August 31%, September 36%, October 48% (the low point), November 43%, December 47%. Statistics for 1931 purchases are fragmentary as yet. Such as are available indicate an upward trend, suggesting that the low point has been passed. They offer no hope for a larger volume of total purchases than in 1930.

Since declines in purchases of the automotive and building industries were even greater, the railroads in 1930 went back into first place as customer of the steel industry. Including both direct and indirect purchases, railroads buy about

International News

LOOK FOR THE STRIPES—*No warning plume of smoke and steam announces the presence of motorized trains, so the Chicago & Alton is painting them up to increase their visibility, reduce crossing accidents*

one-fifth of all lumber cut, use more than one-fifth of all coal, somewhat less than one-fifth of fuel oil.

At the end of 1930 railroads, according to *Railway Age's* compilation of carriers' reports to the Interstate Commerce Commission, had $430,789,212 of their capital tied up in inventories, $38 millions or 8½% less than the year before, and $325 millions less than in 1930. They have effected large reductions of inventories during the past decade. The trend has been downward with increasing acceleration.

What Californians Buy in Stores Shown in First Census of Sales

State-wide figures reveal total retail purchases of over $3 billions with automobiles higher than food

THE first complete state-wide figures from the government's 1929 census of distribution have just been released by the Bureau of the Census. They cover the retail trade of California, supply information of value to all doing business in or with the Golden State. Data on all cities, towns, and unincorporated areas are included. Details of trade in the 47 California cities of over 10,000 population are also given separately.

Spent Over $3 Billions

With a population of 5,677,251 the state during 1929 bought goods to the amount of $3,268,545,636 at retail. Of that the cities bought $2,556,371,792, or 78.2%, although their 3,571,610 population represents but 62.9% of the state total. Sales per capita averaged $575.73 for the whole state; $715.74 in the 47 large cities, but only $338.22 in smaller towns and the remaining territories.

General merchandise and department stores show the highest average sales, $160,568 for each of the 2,630 in the group, while 24,063 retail food stores had lowest average, $27,566 annual sales. In the automotive group sales of 17,862 establishments were $770 millions, or $43,113 each; 6,589 apparel stores averaged sales of $42,211 and 2,750 furniture stores averaged $57,877 each.

Detailed figures of sales in the food group show that 10,793 grocery stores of all types averaged $23,068 in sales. Where grocery stores had added meat departments, sales more than doubled, averaged $48,370 for each of 3,742 combination stores. Contrasted, the 3,211 meat markets averaged $29,129 in sales, but where grocery departments were added to meat shops, sales were increased only about 59.2%, average $46,400.

Foods Only 20.29%

Significant is the fact that sales of foods were less than those of automotive equipment and supplies, food representing but 20.29% of total sales against 23.56% for the automotive group.

Enthusiasts claim that this upset should be accounted for by the fact that the "climate" induced more people to raise some of the food they consume. However, the figures do not show a proportionately heavier percentage in food sales within cities, where little or no food can be raised. In the three largest cities, San Francisco, Los Angeles, Oakland, sales of food averaged lowest in the state, accounted for but 17.32% of total while for instance other cities in the San Francisco area averaged 28.28%. At Berkeley food sales rose to 30.93%, Alameda 39.16%, and at Southgate, a city with 19,632 population about 10 miles from Los Angeles, food sales represented 48% of all retail sales.

Motor Sales Vary

Sales by the automotive group show similar variations. Representing but 21.11% of total retail sales in the 3 large cities mentioned, they account for 28.23% in cities of the Los Angeles area, 33.77% in Beverly Hills, 36.49% in Redlands, 38.85% in Fullerton, and in South Pasadena reached the astounding total of 48.80% of retail sales.

That independent business has less to fear from national chains, but more from local and sectional organizations is indicated by total sales of various types of retail organizations. Single-store independent retailers accounted for 55.3% of all sales in California's 47 large cities, but national chains sold only 7.7% of total. Yet local chains secured 13.8% of all sales, 2 and 3 store operations or branch systems took 15.7% and sectional chains 6.3%.

Trends in Cities

While present reports do not provide state-wide figures for a more detailed analysis of chain penetration, figures covering specific cities indicate trends.

In Los Angeles single-store independents did 46.30% of total volume in all lines, national chains 8.20%, 2-

International News

PUTT-PUTTAWAY—*Motor boats have borrowed the "driveaway" plan of the automobile. These new owners took delivery at North Tonawanda, N. Y., cruised 500 miles to their New York City homes. Here, the van of the fleet of 23 passes under the new Hudson River bridge*

or 3-store or branch systems 18.31%, sectional chains 8.3%.

In the grocery field independents did about 47.50% of total, in drugs 57.87%, but in shoes only 15.08%. Independents hold 64.57% of sales at gasoline filling stations, but get only 14.10% of the sales in variety 5 and 10¢, 25 to $1 stores.

San Francisco's 1492 independent grocers show average sales of only $21,296 while the 409 units of various types of chains averaged sales of $44,490 per unit.

Free Competition in Business? Not by a Dam Site, Says U. S.

WITH construction of the $165-million Hoover (Boulder) Dam finally under way, the government has issued a bulletin of information regarding permits and leases in Boulder City. Executives of big business and association workers representing small business may well gasp in astonishment, grow green with envy, for Boulder City will be the kind of a marketing paradise they have dreamed about, at least if the government can make it so.

Fear Over-Crowding

Officials evidently believe that there is danger of over-population, over-production, over-distribution, over-construction, over-competition, collusion among permit seekers, pollution of those that get into the new town 25 miles across the desert from Las Vegas, Nev.

The circular states that as construction of the dam is expected to take 10 years, "men employed will be encouraged to bring their families and establish homes." There will probably be 2,000 jobs, which means that Boulder City may have 6,000 to 8,000 inhabitants during the construction period. Which means a community like Madison, Ill., Malone, N. Y., or Corona, Calif.

Based on figures obtained through the 1930 Census of Distribution, it is safe to estimate that retail sales volume in Boulder City will exceed $5 millions per annum. If averages hold there will be $1¼ millions of food consumed, at least $1¼ millions of automotive equipment and supplies purchased, at least $½ million spent annually for apparel, perhaps $¾ million on furniture and household supplies.

"Ideal" Conditions

And so the government, that incidentally also stands for enforcement of the Sherman Anti-Trust Law, in attempting to create ideal conditions says that a free flow of business, open competition is taboo in that $5-million market.

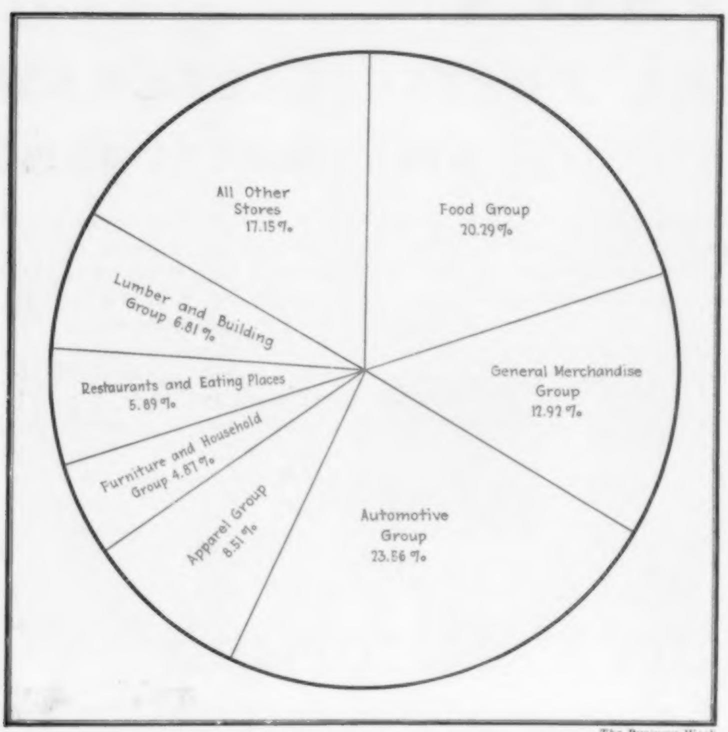
Hospital, telephones, garbage plants are to be operated under exclusive permit, and so are a tourists' camp and a landing field, all classed as public utilities. If the government does not exercise its right to operate any of these itself, those that obtain the permit will have an undisputed monopoly.

And under the Class B limited permit, covering the usual lines of wholesale and retail business, "at least two competing permits will be granted." Obviously the government proposes to control or limit competition as its judgment dictates. However, as the circular states: "Later, when the limit on the permits in Class B are removed, ordinary conditions of competition will largely prevail."

Must Have Capital

Of course, the privilege of enjoying government protection from competition is not free. True, the permit to do business costs but $10, but that is merely a start. Before the permit is issued the dealer must prove that he has the capital needed for building, equipment, and conduct of the business. Business sites average $300 per annum rental, equal to 6% interest on a $5,000 lot, or $125 per front foot. Then plans for the building must be approved. All must be of Spanish design, for the government wants beauty even in the desert.

And one must remember that after 10 years, or when the dam is completed, most of the customers will leave. Perhaps that is why the government thinks controlled competition is justified, so as to make sure that those who do business under its wings can surely retire after the dam is finished.



The Business Week

WHERE THE CALIFORNIAN'S MONEY GOES—*The first complete, statewide breakdown by the Bureau of the Census shows percentages of retail expenditures. Shelter, taxes, etc., are not included*

Lumber Shippers Organize To Correct Trade Abuses

PUGET SOUND ASSOCIATED MILLS, newly-formed cooperative selling and merchandising company organized to handle lumber shipments to the Atlantic and Gulf Coasts, will start **June 15.**

Its membership is made up of 24 saw-

mills, regular shippers in the intercoastal lumber trade. It will handle 30 million feet of lumber a month.

This organization hopes to assist in stamping out the doubtful practice of some shippers of speculating in space and forwarding unsold consignments of lumber which frequently have been auctioned at Eastern centers at such low prices as to upset the entire market structure. It plans to sell either f.a.s. or c.i.f., working closely with the steamship lines as to space and rates, and forwarding only such consignments as have been sold in advance.

Formation of this agency follows closely the recent expansion of the export selling agencies in the Pacific Northwest, controlling 95% of lumber moving to foreign markets from this section. Already the effect has been a firming in export prices.

Plan 100 Motor Inns In Chicago District

A CHAIN of wayside inns, early American in architecture and furnishings but modern in service offered, is being developed in Chicago by National Autohaven Co. Plans call for breaking ground about June 1 for Autohaven No. 1 at Crete, Ill., on the Dixie highway 35 miles south of Chicago.

An Autohaven is to be a $50,000 building, with $15,000 furnishings and equipment, having 3 main departments —hotel, restaurant, automobile service— each with a separate manager. In detail, it will include:

Hotel of 21 bedrooms, 8 with private bath, priced $1.50 for single rooms without bath up to $3.50 for double room with—free shower baths for all; lobby with Western Union station, telephone, counter for sale of tobacco, confectionery, and drug sundries; restaurant for 42 persons, light lunch and soda fountain for 15; offering a 25¢ standard breakfast, 50¢ lunch, $1.00 dinner; 3-pump filling station, Standard Oil of Indiana products; facilities for oiling, greasing, washing, and repairing cars; accessories store; shelter for cars.

The First 100

For the initial 100 Autohavens 37 towns have been selected in Illinois, 24 in Indiana, 23 in Wisconsin, 16 in Michigan, mostly within 100 miles of Chicago. Where hotel facilities are inadequate, it is planned to build right in town; otherwise, outside of city limits.

The company is being promoted by A. J. Williams, a lawyer and former real estate man, who is serving as general manager. Issue of $2,500,000 stock has been authorized, $500,000 paid in, Mr. Williams states. Mortgages will supply added financing. Mr. Williams plans to let construction contracts and recruit personnel locally.

International News

NEW MEMBER—*W. W. Magee (left) receives his certificate of appointment as a member of the Federal Reserve Board from Eugene Meyer, governor of the Board. One vacancy still remains*

Chicago Holds a Jubilee; Mayor Cermak an Inquest

CHICAGO, city of pep and paradoxes, has had a 10-day Jubilee Week. It ended May 20.

Parades, street dances, music festivals, fireworks, and like attractions of old-fashioned carnival type drew big crowds both to the Loop and outlying business centers. The populace, none too busy at this time, responded handsomely.

Not so many weeks before, the Chicago Association of Commerce was gravely frowning upon the then Mayor William Hale Thompson's "Buy Now" efforts. Instead, it sponsored a campaign of its own under the ringing slogan, "Steady Buying Steadies Business." Now, however, spokesmen for the same association are telling newspapers how successful the week was as a "buy now" venture. One official, quoted in the New York *Times*, places it at $1 million a day, or $20 millions for the period (sic).

If Correct

If this estimate is correct, then the increase was close to 5%. Chicago's normal business is $7½ billions a year, $24 millions a day, of which 30% is retail and 70% wholesale.

Favorable publicity, which even Chicago boosters admit their city needs, and the dispelling of fear by "Smile, damn you, smile" tactics are other benefits attributed to the jubilee.

Credit for originating the idea goes to the Chicago *Tribune*, sponsor of a "Golden Gloves" boxing tournament, which happened to have been scheduled for Tuesday, May 12. The adroit daily so managed it that the Association of Commerce took over sponsorship of the jubilee that week. The *Tribune* paid for the fireworks.

Victory Ball

Jubilation over the recent defeat of its ancient enemy, "Big Bill" Thompson, is thought to have been partly responsible for the *Tribune's* idea of staging a jubilee.

While the jubilee was in progress, newly elected Mayor Anton J. Cermak, aided by bankers and assorted city, county, and state officials, was struggling against what in private business would be termed bankruptcy. May 15, deadline for collection of 1929 taxes, passed with only 55% of $276 millions collected. Meanwhile, $228 millions of city and school tax anticipation warrants are outstanding, some coming due shortly. Bonds have been issued up to legal limits. Cash is exhausted.

Success of World Wheat Control Depends on Russia and U. S.

We offer acreage reduction; Soviets want credit; conferees must strike bargain

EUROPEAN NEWS BUREAU (*Radio*)—Wheat has come back to Britain, its largest single market, to solve its export problem. In Paris, Geneva, Rome, all plans failed. This week, delegates of 11 countries on 4 continents representing 95% of the world's output, have locked themselves in the Canadian Council Chamber in London to make one final effort to discover how wheat can be grown at a profit. No press representatives, no observers from outside countries are allowed to sit in on the sessions.

To be planned: (1) how best to dispose of the present accumulated stocks; (2) how to improve methods for handling and distributing future surpluses.

Participating countries: United States, Argentina, Australia, Bulgaria, Canada, Hungary, India, Yugoslavia, Poland, Roumania, Russia.

Quota System Favored

A system of quotas administered by an international committee is favored in various important wheat markets as the most likely solution to come from the conference. London opinion, however, is not hopeful. Price control, it argues, means supply control and the Rome conference found almost all countries agreed that this was wholly impracticable.

Interest centers in the action of the Russian and American delegations; without the backing of both it has been admitted no plan suggested by the conference can succeed.

Acreage reduction is the basis of the American plan. To this is added the promise that the Farm Board will not dump its holdover stocks of 1930 wheat.

Russia definitely will not cut acreage, but advances reasons which grain authorities believe the delegates will accept. In the 5 years before the war, Russia's annual wheat exports averaged 164,862,000 bushels. Last year, Soviet wheat exports were reported at 53,072,000 bushels.

Because the country's wheat exports are the basis of such a large share of the export credits for the Five-Year Plan, it is hardly to be expected that Russia will cut acreage until she has won back her former position in the world grain market.

Ready to Listen

Canada, the United States, Argentina, and Australia—with storage elevators loaded to bursting—are in a mood to listen. Before the war their total average annual production was 334,200,000 bushels. In 1928, it was 792,600,000. Obviously they have gobbled up Russia's share and must now redivide, or suffer Russian competition. With the Soviet's new reciprocal trade contract with Germany (which gives the Soviets a preference in that annual 80-million bushel market) and in Italy, with a perpetual demand for outside wheat, this competition looks increasingly formidable to other countries.

Concessions on the part of the Soviets are not inconceivable. The delegates at London know that added credit facilities and concessions relating to Soviet political prestige will move the Russian delegation. It remains to be seen who is the better bargainer under existing circumstances—if any bargain is struck at all.

Farm Board Rejects Wheat Control Plans

A SCORE of plans for controlling the 1931 wheat surplus in this country have now been urged upon the Farm Board, but one flaw or another has been discovered in each and they all have been rejected.

One, seriously considered, was proposed by F. J. Wilmer, cooperative leader in the state of Washington, where it has already gained considerable popularity among the wheat growers. (*BW—Apr1'31*).

The Wilmer Plan

Mr. Wilmer calls for a nation-wide campaign under Farm Board auspices to get at least 75% of the wheat farmers into a National Surplus Control Association, with which each farmer would sign a 3-year contract: (1) to hold on the farm or deliver to the association without advance payment such proportion of his wheat crop as the board of directors of the association may determine on a percentage basis for the crop as a whole, such grain to be sold through the Farmers National Grain Corp., but without affecting the domestic market; (2) to limit his wheat acreage in 1932 and 1933 in accordance with the quota fixed by the association's board.

Chairman Stone finally informed Mr. Wilmer that the Farm Board felt that it would be impossible to get enough farmers to cooperate; that it would be

Wide World

WHEAT FACTORY—*On the 30,000-acre Hickman Price ranch in the Texas Panhandle, they never call it a day. When necessary, work goes on day and night. Here, 5 tractors are breaking sod with gang plows while the 6th follows with a harrow 52 ft. wide. The whole production process is similarly mechanized*

Wide World

Air Traffic Tower—*Cleveland installs the first control tower for up-and-down traffic. Approaching airline planes are spotted on a map; radio-phones keep pilots informed; a switchboard controls all lights*

administratively if not legally impossible to enforce the performance of the contracts; that a uniform contract for surplus control or acreage reduction would not be suitable under widely diverse conditions; that any benefits from the plan would go most heavily to farmers who remained outside the scheme.

Stone's Objections

Finally, Chairman Stone said: "The plan contemplates a continuous policy of semi-governmental disposition of our surplus over domestic requirements by concentrating this surplus in the hands of an agency to be dumped into world markets for what it will bring. The Federal Farm Board believes that such a policy could not be carried out to the advantage of our wheat growers. To increase wheat consumption in importing countries except at extremely low prices, to force wheat upon world markets would be disastrous in its effects upon wheat prices, here as well as abroad, and have serious international consequences as well."

Thus, as matters stand, with the Farm Board resolved to keep away from stabilization operations after July 1 and with no alternative means for pegging prices in view, it looks as though the new crop wheat will be marketed as before the Farm Board entered the wheat pit.

Wheat Pool Disintegrates As Farmers Bootleg Crops

Ottawa (*Special Correspondence*)—Financial stress has led Manitoba wheat pool farmers into bootlegging their wheat to the private grain trade to such an extent that the pool has given up efforts to enforce membership contracts and released members from their obligations. The Saskatchewan and Alberta pools still hold out, but bootlegging is on the increase. Cash payment at market prices from the independent grain trade is more attractive than a first instalment from the pools.

Meantime spring overseas exports of wheat are far ahead of last year. Western crop prospects are none too bright. To date the acreage sown to wheat is 2 million acres below last year's 24 million.

The government is expected soon to give an answer in Parliament to the Western demand for a wheat marketing policy. It is not likely to include compliance with the proposal that national control of marketing be established. Behind this proposal is the idea, already rejected by Ottawa, that the federal government should fix wheat prices.

Progress is being made by the federal agricultural department, in the movement for developing diversified farming. As a result of improved conditioning methods and supervised finishing in Great Britain, Canadian cattle are bringing increased prices in the British market. A bid is being made for recovery of the old time prestige of Canadian bacon in England by the introduction of select breeding stock into the Western provinces. Wheat fed to cattle for conditioning brings much higher returns than when sold in the grain market.

Corporation Farming Fights For Its Life in Kansas

Supporters contend loss of right to operate foreclosed land will impair farm credit

Is corporation farming legal? The Kansas legislature, yielding to pressure, recently said no. Whole townships are being depopulated, banks are being ruined, machine peasantry is developing, it was argued. The fight was hot, as fights are in Kansas. The antis won.

Now, Roland Boynton, attorney-general of Kansas, has brought ouster suits against the main corporation farms there. There are some 20 such in Kansas, with about $15 millions invested in them. The Wheat Farming Co., 64,000 acres, is largest.

Comments made to *The Business Week* vary:

"The general thought here," a Kansas farm paper editor observes, "is that the ouster action will win. I am not sure that it is wise. It might have been better to let the pioneering go on a little longer so that we could see just how corporation farming would work."

"This is a political move," asserts an officer of one of the embattled corporations. "We feel sure that nothing will come of it. We are prepared to fight the suits to a finish."

J. C. Mohler, secretary of the Kansas State Board of Agriculture, a man much loved and respected in his state, sets forth the views of the more moderate

opponents of corporation agriculture: "I see no particular advantage to large-scale farming. There is an economic unit of land for a farm power outfit. Such a unit in the hands of an intelligent individual can, in my opinion, compete with the farm corporations and beat them, for the simple reason that the individual owner is likely to exercise more initiative and enterprise. Farm companies simply multiply economic units." Mr. Mohler adds, "Of course, a good many farm companies came into existence to save investments in land."

If the suit should be successful, the corporations contend, farm credit would be further impaired. "Most companies have looked upon the right of operating foreclosed land as a final safeguard when making farm loans. Should they not be able to operate the land they are holding, they would experience considerable loss. There would be a consequent tightening of farm credit."

Farmer's Plight Complicated By Decline in Land Values

Banks, insurance companies, the tax collector, all business hit by slump to pre-war levels

EVIDENCE coming in from 3 sources this week throws a cold blue light on the plight of the farm landowner and of all those whose interests are closely involved with his. The Department of Agriculture released its annual report on farm land values; the Federal Farm Loan Board got out its quarterly condition statement covering the Federal Farm Land Banks and the Joint Stock Land Banks; the Federal Reserve Board issued its quarterly condition statement of all member banks. Each testifies to the accuracy of similar information compiled from private sources.

Back to Pre-war

Outstanding problem is that raised by the decline in farm land values: for the whole country, 8% between March, 1930 and March, 1931, largest decline since post-war deflation days; for the West South Central and West North Central states, 11% in the same period.

Average farm value is now only 6% above the 1912-1914 level and is held that high only by reports from New England, Mountain, and Pacific Coast states, outside the great agricultural areas. Farm lands have been below pre-war levels for several years in Ohio, Indiana, Illinois, Missouri, North and South Dakota, Montana, Wyoming, Colorado, Nevada. This year they fell below in New York, Iowa, West Virginia, South Carolina, and Georgia.

Further Comparisons

Further comparisons complete the picture. Value of capital equipment on the farms is back around pre-war figures; but so is the income derived through the use of that equipment, while fixed charges against it are far above pre-war. And taxes are 167%, living costs 51%, production costs 40%, farm wages 52% higher.

With income down, costs high, and fixed charges on capital equipment of declining value either steady or rising, the farm land market has been glutted, prices have been forced down. The only hope for the farmer sticking to the land under these conditions lies in a tremendous increase in productive efficiency or in size of crop yields. Progress has been made in these directions but the net result is still small.

Failing a wider success, there has come a large increase in the rate of farm mortgage foreclosures, now estimated at 10% above that of a year ago and held that low only by leniency on the part of banks and insurance companies—chief lenders—and by taxing authorities.

Getting Out Fast

None of these groups want to take over the farm lands. Reports of country banks, conversations with insurance companies reveal the fact that both groups of lenders are getting out of the farm loan field—some just as fast as they can.

Borrowers have been driven to the Federal Land Banks and the Joint Stock Land Banks whose farm mortgage loans have declined very little in the past year, despite the huge decline in land values. And their troubles have multiplied fast.

The 12 Federal Land Banks report a rise of 98% in principal of delinquent instalments from March to March, an increase of 27% in land taken over, of 28% in sheriff's certificates issued. Respective increases for the first quarter of this year are 10%, 8%, 1%. The total of the 3 items now makes up 2.8% of net mortgage loans against 2.1% a year ago.

The Joint Stock Land Banks, excluding those in receivership, tell a similar story. Their principal of delinquent instalments rose 102% in the year; real estate owned outright, 33%; total of sheriff's certificates remained unchanged. Respective increases for the first quarter were 9%, 14%, 9%. And the 3 items together now constitute 4.8% of net mortgage loans held by the Joint Stock Land Banks against 3.6% a year ago.

Against this background, the farmer looks forward to an income lower than last year with costs still high—to less leniency on the part of lenders and taxing authorities now worried by long delays in payment—and so to an impending crisis.

The Business Week

INTRUDER—*This surprised young man walked into the Lamp Development Laboratory of General Electric at Nela Park. As he stepped under the "No Admittance" sign, an electric eye saw him, set off a concealed automatic camera and flash lamp. Hence the startled look. The device can also be used as a burglar alarm with an exploding flash bulb*

World Silver Conference Lacks Only a Summons

SILVER'S claim to political consideration is being pushed vigorously, though the whole problem of silver stabilization or valorization remains muddled as ever.

The proposal that has made the greatest headway since the recent congress of the International Chamber of Commerce calls for a world silver parley. It now seems probable that an international gathering will take place, despite the fact that many have no faith in its outcome and nobody has successfully nominated a conference-caller.

Washington Declines

Washington apparently is out of the question, although it is urged that, in view of the International Chamber's pronouncement, President Hoover need no longer fear that our silver-producing nation would be accused of selfish motives in sponsoring a conference.

Nevertheless, William R. Castle, acting Secretary of State, has definitely announced that this country will not take the lead but that it is "quite prepared" to enter a conference called by China or any other country.

Great Britain's attitude is not unlike ours. London, not averse to participation, declines to assume leadership in calling the meeting, is embarrassed by the fact that one of the matters bound to come before it is the British monetary policy in India, which is given a large share of blame for the slump of silver.

"Futile," Says Tokio

Until lately it looked as if Tokio might take the assignment, but it is now reported that the Japanese bankers' silver committee has decided that, since Japan had nothing to do with silver's fall she should not assume responsibility for starting a movement "bound to be futile."

Thus there remain only China and Canada, the former not considered sufficiently strong to assume charge of the movement, the latter may be somewhat reluctant to go contrary to London's don's wishes.

Discussion Scheduled

The Canadian government may place the silver question before the Empire economic conference, scheduled for Ottawa in August. It is being urged to do so by J. H. Darling, director of the Midland Bank in England and foremost advocate of the proposal for the restoration of the exchange value of silver to increase the Orient's purchasing power. The Bennett government has invited Darling to a series of conferences.

Wide Reading

A TEN YEAR PLAN FOR AMERICA. Stuart Chase. *Harpers,* June. Blueprint for a Peace Industries Board. Aim (among others): minimum family wage of $5000; elimination of wasteful competition. List of industries which *should* be supervised, which *might* be supervised, which *need not* be supervised.

WEALTH RISES TO THE TOP. Harold Brayman. *Outlook,* May 20. 1% of the total number of federal income tax payers in 1929 paid nearly 25% of the total reported income.

TAX MORE OR SPEND LESS? Mark Graves. *American Bankers Association Journal,* May. Most tax evils are not new. Tapping new sources instead of giving relief merely provides more to spend.

THE REIGN OF ERROR. James Harvey Williams. *Atlantic,* June. A business man's case against the anti-trust laws.

HEARST AT HOME. *Fortune,* May. Casa del Sol—case notes on its history, its court life, and its contents. Intimate details in the life of a great publisher.

WHAT'S WRONG WITH EXECUTIVE PERSONNEL? *Printers' Ink,* May 14. Suggestions of weakness. Worth checking now while business is not booming.

WHY "ALLOWANCES" ARE A RACKET. H. A. Haring. *Advertising & Selling,* May 13. Slump times are causing manufacturers to check up—and some to change the "allowance policy."

DEALER SUSPICION INDUCES WILSON TO DROP ITS OWN RETAIL CHAIN. D. G. Baird. *Sales Management,* May 16. Retailers, generally, are jealous of the manufacturer who is also a retailer. Wilson Bros. withdraw to the wholesale business only.

EUROPEAN FORD ACTIVITIES ARE WEATHERING DEPRESSION. *Automotive Industries,* May 16. British and 7 subsidiary companies show 22½% gain in earnings despite unfavorable conditions.

BOOKS

QUANTITY AND ECONOMY IN MANUFACTURE. Fairfield E. Raymond. McGraw-Hill, 375 pp., $4. A discussion of economic lot sizes for manufacture and the theory of economical production. Formulae used are formidable but results obtained have been proved profitable in many plants.

CHANGES IN THE STRUCTURE OF WORLD ECONOMICS SINCE THE WAR. Dr. Felix Somary. P. S. King (London), 7s 6d. Lectures by a Heidelberg professor. Effects of progressing Socialism on industry; the decay of free competition and the rise of State economic activity; the enhanced powers of bureaucracy; the possibility of an economic alliance between Germany and France.

BUDGETARY CONTROL IN MANUFACTURING OPERATIONS. National Industrial Conference Board, 180 pp., $3. Study of the extent of adoption of budgetary control by manufacturing industries, the methods used, and the results obtained among 288 manufacturing companies with AAAA ratings. Provides a practical handbook for executives charged with installation or operation of budgets.

Keystone

SILVER TONGUED—*In Japan, Communist speakers harangue the crowd from a silk box rather than a soap box. Silk and silver are Japan's twin worries, the cause of their depression, the topic of their orators*

Harman, Silver King, Retires But His Power Will Be Felt

Directing genius of Handy & Harman ends 65 years' active service but remains on board of directors

THERE retired from business last week a handsome and charming gentleman of 87 years who had been in the same line of business with the same outfit for 65 of those years. And ever since he got his first fair start he had dominated that particular business in the United States and had taken a conspicuous and at times pugnacious part in its world management.

And up to the day of his resignation last week this venerable but aggressive gentleman kept in the forefront of the new battle that has come to rage again about the stuff of his lifelong trade. For the real and international and historical name of John Freylinghausen Harman was S-I-L-V-E-R and from out of the ancient house of Handy & Harman he had been its market boss since he came north from Harper's Ferry out of the Civil War. Never had his sovereignty been threatened.

And last week, as if by a sort of coincidental destiny, the National Metal Exchange, Inc., of No. 27 instead of No. 57 William Street, Manhattan, announced that hereafter it would operate a free and open market for silver bullion before all the world and that there would be trading in futures such as had never before existed. The proposition that the old order changeth was thus boldly made but it occurred to that greater, higher, and more sentimental element of Wall Street's respected oldsters that such things are somehow not put over without resistance. Handy & Harman ignored the communiqué from down street with becoming dignity, but there did crackle in the vernacular press below Maiden Lane a little 2-line shot to the effect that the great John Harman, retired chairman, was still a member of the board of directors and that his wise counsels could still be called upon.

So this is the story of how silver has been dealt in hereabouts since 1824 in the grand polite tradition of the bullion banker at his fireside and of how it is proposed to deal in it on and as of June 15, 1931, and forever thereafter.

How He Learned

After John Harman had graduated from an apprenticeship with J. G. Cronise & Co., bullion and specie, 37 Wall, he studied the higher reaches of this most Venetian of all banking arts in the counting house of Baker & Bushong, merchants and dealers in stocks and gold. Along with young Harman, graduate, and older Cronise in 1867 there came younger Peter Hayden, bullion and specie, also, to form a regular firm. Then appeared rich Parker Handy, the original one, who bought out the whole bullion match and set up handsomer shop under the imposing legend of The Banking House of Parker Handy. Young Harman had brains and the bullion nose even if he did not have great Parker Handy's money, and when Cronise retired, enriched from the currency wrigglings of half a dozen panics, there emerged the final Handy & Harman of William Street and of history. By a later acquisition of the Charles S. Platt Co., inheritors of the earliest manufactory and refinery of silver in the new world, the firm was able aristocratically to trace its ancestry to 1824.

They Enter Industry

Handy & Harman banked on, bought and sold bullion, specie, and bonds from the hectic, promoterish 80's right up to the turn of the century round the old and never-to-be-forgotten silver post on the floor of the New York Stock Exchange—old building. Young Parker Douglas Handy, member, became the most accomplished silver trader of his world and of his time. Next year the house went into industry.

Absorbed was Standard Metal Co. of Chicago, which melted, rolled, and even refined all the precious metals. For there is no substance that takes so much refining as a precious one, since in metals "fineness" is all. A Bridgeport plant followed, to augment Connecticut's prestige in delicate manufacture. The Fulton street, Manhattan, plant reflected World War prosperity, along with another brand new one at Fairfield, Conn., near Bridgeport's slums and chimneys. Silversmiths, jewelers, chemical houses and chemical trusts, and finally the gigantic, raw, moving-picture film industry went to Handy & Harman for freshly mined

grey silver. And so it went on and so it does today, for the Providence plant, of 1924, is as rushed with orders as are the others.

Some Silver History

But although the mass fortune of John Harman and his men today may be in the retorts and furnaces of works and although their grossest income may come from the battering of soft Nevada bars into soup spoons and cocktail shakers, their world prestige derives from the responsibility and honor of the traffic which they manage for those nations whose taste is for sweet silver rather than for garish gold. It was by the mighty Lord Reading himself and it was at one of the deepest moments in Britain's eternal history that the house was officially appointed bullion agents for the Secretary of State for India. From Handy & Harman's cable room high on William street outpoured the cables and wires to the mines of all the silver bearing earth that purchased for the doubting and doubted Eastern dominion 200,000,000 ounces of the then almost priceless metal ($1.30 per troy ounce). India stayed in line. Today, with shilling silver, she is just that much out of line, and Handy & Harman are watching her just as closely, only from the opposite direction, and without the ministering angel that was Reading. They will not again, or at least not now, have to negotiate permission to melt down another 90,000,000 ounces of the stuff about which the Mahatma Gandhi can speak as eloquently as he can of the salt of the sea.

Three Exchanges Now

Today, then, and until 10 A.M., on June 15, this illustrious house is selling U. S. raw silver—most of it a by-product, of necessity extracted from other ores in order that the baser metals may be pure—and dealing in bullion as a foreign exchange medium throughout the world. There are, communications from the National Metal Exchange and their misunderstandings in the press to the contrary notwithstanding, 3 regularly constituted silver markets or exchanges in the world. They are in Bombay, Shanghai, and London.

Any kind of futures contract may be made on any of these exchanges, but quotations are everywhere habitually based on the 2 months' maturity. One-year contracts are by no means unknown. But out and out gambling in silver is today practiced only in the East, however.

London and New York—which was and is still Handy & Harman—limit themselves to straight foreign exchange coverings and hedges for their clients, who are the great banks and commercial houses in large commerce with the East.

In New York, the inner door—there is only one—at Handy & Harman's is better locked than any heavier portal in the Federal Reserve fortress across the way. But in the grave outer hall the runners and messenger boys of great customers may read above the civil little squares of bar and glaze the posted prices of the metal over the world, hourly, sometimes minutely changed. The gentleman who comes out with the new figures and fractions has a little trouble balancing them on his long stick. But he never gets them stuck into the receptive slats wrong side to or upside down. On partner's desks there are massed telephones, orchestrally arranged, and as the bells tinkle or cluck to familiar ears, swifter and straighter than by a pianist's hand are seized the inanimate mouths that lead direct to the wired intelligence of bankerdom.

An Open Ring

Now the National Metal Exchange, Inc., proposes to change all that. Americanize! No more whisperings in millions of ounces in a deafly carpeted room! Shouts by the open ring, rather; quotations by the second; open prices openly arrived at, and ratified by the board of governors under the automatic rule! The Yankee can be taught to play silver, just as he can be taught to do anything. There is a budget for advertising and a counsel for public relations.

President Kuo Ching Li, of Wah Chang Trading Corp., greatest of the entire race of Chinese importers of antimony, is on the special Silver Committee. So is Leo Auman, the great refiner of metals. And so are other solid and specialized gentlemen.

'T Will Be a Fight

Handy & Harman are punching new holes in their leathern belts. National Metals is varnishing, which is just and pleasant, for there is nothing on earth so empty looking and echo-ey as an abandoned exchange, or pit, or ring of any commercial kind. The fight will be glorious, whether brief or eternal. Young America against ageing Britain! The Twentieth Century versus the hang-over of the Eighteenth! Only one element lacks, so far. Nobody has arisen to do the arbitrage between the classic Handy & Harman over-the-counter, through-the-window market and the bourse of the ticker-trained moderns.

Augurs of Depression Search Light Native Cows for a Sign

One school thinks rise in hides may forecast general upturn but there are other interpretations

THOSE who watch "barometers"—and who does not in these days—have suddenly concentrated their attention on a square little box of a room in Manhattan's Cedar Street, where 14 men on camp stools rest energetic elbows on the leather-padded ring of the Hide Exchange.

On last Feb. 15 hides reached the lowest prices known in the 35 years that we have had established hide markets. "Light Native Cows"—$4\frac{1}{3}$¢ in 1893, 20¢ at the opening of the World War, 60.8¢ in August, 1919, $13\frac{1}{4}$¢ in 1921, 25¢ for months in 1928—were at $6\frac{1}{2}$¢ per pound, and all of the other 13 kinds of cattle hides were settled for on the scale that the New York Exchange bases on this price.

Then between last Feb. 15 and Mar. 17 the price advanced to 10¢, an increase of 50% in 4 weeks. And with an Exchange volume of 100,000,000 pounds. Since then, there has been a natural reaction, but hides are strong again. The most learned observers profess to see a very strong market throughout the summer and autumn with a good chance of even 15¢ hides by fall.

Of all the learned observers of the vagaries of the hide market there are 2 schools. They offer 2 interpretations of the fact that the tiny ring of the New York Hide Exchange on Cedar St. is today the hottest trading spot in Manhattan, which is to say the world.


Acme

LOS ANGELES THIS WAY—*The new entrance from the north includes 3 tunnels through Elysian Park; it will be opened in July*

On the One Hand

Says one: (1) Hide prices usually have been found to be early and faithful forecasters of renewed business activity; (2) the hide market has had a tendency to confirm the technical start of a bull market; (3) the rise of hides and of industrial stocks usually comes off when neither commodity prices nor business activity appear to justify it, so that, historically, both stock market and hide market forecast the upturn of business activity.

This school bases its reasoning on the contention that, the supply of hides being—relatively—fixed, any improvement means a clear increase in demand.

And on the Other Hand

Members of the other school draw no such roseate conclusions. Say they:

(1) Although further advances in hides are highly probable—and even if they were certain—it is because of special circumstances rather than general ones. Shoe production has increased. Even the idle have worn out their unhappy soles looking for work.

(2) Hide consumption in general has dropped 32% since 1923 because of substitution and obsolescence. Fabrics, rubber have killed shoe leather. Belting leather has bowed before more modern methods of power transmission. It was not decreased business which made the consumption of hides decline.

(3) Our prices got too low and we began to export. Europe could afford to pay and bought. So prices went up. Hides have gone up because of the differential in price favoring exports, absence of excessive stocks here and the possibility of prices responding to the new tariff.

It is interesting, whether significant or not, that neither school accuses "the Big Two," as they call Armour and Swift down on Cedar Street, of manipulating the rise because they have lots of hides to sell. The economists for once agree with the brokers that hides are impossible of market fixing.

A By-product

As to their theories, it is clear that into a price movement in hides enter a great many factors outside of and beyond the ancient equation of the demand for and the supply of. Uniquely, the hide is a by-product. No man would be crazy enough to kill a steer for the skin that is never worth more than a few per cent of the critter's inside. The decline in slaughter of animals that may provoke a rise in hides on the New York Exchange may be caused by a suddenly produced incapacity on the part of the meat-eating nationals—or foreigners—to pay for daily meat which, in turn, may reflect a general economic depression. Again, when a drought leaves the farmers with no feed for their hungry animals, they may swamp the slaughter houses and the hide market will go the other way irrespective of the purely considered purchasing power of consumers of meat.

Style, the Wrecker

Again, a sudden style change in footwear may wreck the price structure of hides. Fancy cloths and reptile skins have given the immemorial cow a tough battle for feminine favor. So with substitutes for leather in upholstery, beltings for man and machine. The closed automobile trend was measured in the cost of acres and ranches of leather.

Then, since last June, never before in history we have had a hide tariff—10% ad valorem and, for the first time in 8 years, we are exporting more hides than we bring in.

New Uses Arise

The difference of opinion among tanners alone can move the market either way prodigiously. The processing of hides into leather is so slow that it might almost be thought of as a sympathetic continuation of the very growth upon the natural animal back. There are a hundred chances of guessing the trend wrong. Then, suddenly, mistaken tanners must buy to charge their vats, to keep their trade. And there arise new uses. Floor covering is one, just now proposed. It can be speculated upon, with winnings and with losses.

The facts would appear to be that the delicate balance produced by lower international meat consumption and low leather production may well have been influenced by a pretty certain increase

in shoe manufacture, from, say, 19,500,000 pairs in January to 23,650,000 in February and to perhaps 26,000,000 in March.

Feeders on the farms, says government, are 7% off from last year, which means the lowest point for 10 years. If 1931 produces 335,000,000 shoes it will take 17,500,000 pieces of cattle hide leathers to do it and the potential hide supply would appear to look like about 14,200,000. Add an importation of, say, only 1,500,000 pieces instead of the 3,300,000 which was the run up through 1930, because of the fact that European prices seem to be all the way from 15% to 50% above our own, exclusive of the 10% import duty. There still remains a good sized gap.

Hence all the excitement among the 14 youngish to middle-aged men of Manhattan, whose every uttered syllable, every motioned finger means at least 40,000 pounds of Wet Salted Hides, one contract, which also means $20 commission from Americans or Canadians, $22.50 from the rest of humanity. And hence the interest of the barometer-watchers who are searching for a sign among the Light Native Cows of the Hide Exchange.

"3-in-1" Loaf of Bread Meets Varying Tastes

THREE kinds of bread—wheat, rye, and whole wheat—are produced in one loaf by the M. Carpenter Baking Co., of Milwaukee, to serve the varying tastes of each member of a family without the necessity of buying 3 loaves of bread.

A special baking tin has been devised for this purpose, in which the 3 doughs are placed at different times so that they rise in unison. The result is a single loaf of even height. The loaf is then sliced in a machine, placed on a cardboard tray, and delivered to the customer.

Japanese Make Crepe Of Old Silk Stockings

JAPAN has found a profitable use for discarded silk stockings, imported nearly 500 tons of them last year, is using them in the manufacture of Japanese silk crepe known as "Omeshi" and "Kabeori."

The average price paid by Kobe buyers is $2.50 to $3 per hundred pounds, according to the *Merchant Marine Bulletin*. The highest price paid was $7. Stocks at present are exhausted.

Italy, "Unafraid," Offers Longer Credit, More Trade to Soviet

European News Bureau — "Fascist Italy fears no menace, least of all Russia." So, stout-willed Mussolini is reported to have passed off the "problem" of Russian exports.

The newest Italo-Russ trade agreement bears out this statement. So do trade figures.

A year ago, Italy signed its first trade agreement with the Soviets (*BW—Aug20'30*). There was a list of 12 manufactures which Russia offered to buy from Italy. In return, the Italian government granted a 75% export credit guarantee up to $10 millions, agreed to carry these credits from 12 to 52 months. Ships, machinery, airplanes and motors, and electrical equipment made up the bulk of the list.

The New Terms

Now the terms of the new agreement are disclosed. The credit limit is expanded to $15 millions, may go to $20 millions. Credits will be carried for 12 to 54 months on the old schedule of items. Three new items are listed—special steels, 24 months' credit; steel wires, 15 months; crude and refined sulphur, 9 months. Further, the new agreement provides for orders for materials beyond those listed in the contract, if both parties come to an agreement. Also, the commercial representative of the U.S.S.R. is at liberty to select the Italian firm with which his government wishes to place the deal.

As was the case in the 1930 agreement, the Italian firm selected by the Soviet commercial representative merely applies to the Italian Export Institute for a conversion of the assurance given in the agreement into an actual guarantee, and that guarantee is accorded within a period not exceeding 20 days from presentation of the request.

Paid in Wheat

Russian orders placed in Italy in 1929 totaled $18 millions; in 1930, $27 millions. In 1929, they made up only 1.6% of total Italian imports. In 1930, they reached 3% of the total. Fiat holds an order for 2,000 trucks, for which the Soviets are paying with wheat which is transmuted into cash payments to Fiat by the Italian government.

Italy's purchases from Russia far exceed sales to the Soviets. Purchases of wheat in 1930 passed 9 million bushels, valued at $10 millions. Oil, second in importance, was valued at $9 millions. Coal imports came to $2.4 millions; timber, $1.6 millions.

In the case of fuel oil, which Italy needs desperately, Soviet sales to the Italians increased from about 24% of total imports in 1928 to 38% in 1930.

Biggest Producers Differ On Restriction of Tin

European News Bureau (*Radio*)—In February the world's 4 largest tin producers—the Federated Malay States, Bolivia, Dutch East Indies, and Nigeria—met and decided to curtail production by 41,500 tons, or 22% of the 1929 output. Tin prices in London rose, reaching £124 per ton in March, visible stocks declined. Then stocks rose again, world excess came close to 50,000 tons, prices fell touching £102/12 on May 4, lowest in 25 years. Outside producers had been stimulated.

The 4 producers again met at The Hague May 16, recommended to their respective governments a further restriction of 20,000 tons, or 16% of the quotas that went into effect last March. Prices have again risen in London, recrossed £110 on May 18. But the new restriction plan will probably encounter difficulties.

On Opposite Sides

Friction is particularly acute between Malaya and the Dutch East Indies. Malaya claims special consideration in view of last year's heavy investments for powerful dredges to expand potential capacity. The Dutch Indies claim the same thing but for an opposite reason—that the least developed potential production has contributed least to world overproduction, should be least penalized. The Indies' view prevailed in March; restriction for the Indies was only 16%; for Malaya, 22%.

Malaya has felt discriminated against, wants compensation. The issue will come before the Paris meeting of the International Tin Committee June 16.

Meanwhile, whether or not agreement is reached and ratified, tin prices probably have touched bottom since at recent lows it is estimated that only 40,000 tons of world's total potential was still able to produce profitably. Some believe that at present price levels tin, like rubber, is most effectively restricted by the free play of supply and demand.

"Balance" or "Community" of Power? Europe Must Decide

Its whole economic future may depend on decision now confronting leaders at Geneva

EUROPEAN NEWS BUREAU (*Radio*)—Three developments have marked the opening of the League of Nations meeting. Briand finally has submitted his "Great Plan" for European consolidation; Russia has put forward a proposal for a world anti-dumping convention to which the Soviets are prepared to subscribe; Austria and Germany have agreed to submit their economic *Anschluss* scheme to the World Court for decision on its legality under the limitations of existing treaties.

Plans Similar

Briand's plan for European economic union turns out to be substantially identical with proposals recently advanced by Foreign Minister Benes of Czechoslovakia. Its 3 major parts are: (1) agriculture—inter-European preferential trade practices for European agricultural products (credit rebates, preferential rail rates, etc.) but nothing that will violate existing discriminatory tariffs; (2) industry—more intensive utilization of existing cartels and extension of the cartel system to manufactures not yet cartelized, thus permitting controlled production and allocation of markets with eventual reduction of protective tariffs; (3) finance—development of more ample and flexible financial machinery, toward the capital for which France is ostensibly to contribute generously from its congested reserves.

The "Great Plan" was respectfully received but nowhere has it fired any enthusiasm. European economic needs are immediate and urgent. Briand's plan is regarded as an organically-conceived "economic Utopia" not necessarily unrealizable, but realizable only gradually and laboriously. Too, it is certain to be attended by innumerable difficulties and adjustments of individual competitive interests before any beneficial unison is possible.

Russia's plan is something of a sensation. There are 2 principal parts: (1) an international anti-dumping convention of European or world-wide scope to which the Soviets are prepared to subscribe and in which their members pledge themselves specifically to compulsory sale of all products in home markets at prices not higher than in foreign markets; (2) an economic "Kellogg Pact" wherein all countries will eschew economic aggression by undertaking a tariff truce.

Turns the Tables

In presenting these proposals, Litvinoff, Russia's Foreign Minister, turned the accusation of dumping commonly made against the Soviets, back upon the capitalistic countries, charging that they primarily were guilty. He defined dumping as price differentiation reached by tariff-protected monopolistic home markets coupled with cut-price exports, and charged that dumping from capitalistic countries was one of the major causes of world depression. Capitalist statesmen gathered in Geneva squirmed. Both of the Litvinoff proposals contain a sly Soviet self-advantage. The first implies government price control, by which the capitalist structure would be drawn closer to the Soviets' state socialism. The second would spike the threat of the capitalists' concerted economic action against the Soviets.

Austro-German consent to submit to the World Court the problem of the *Anschluss* means the issue temporarily is shelved. But it is incorrect to suppose that this is tantamount to a retreat, as it has been construed in some quarters. Creditor powers are fully within their rights in demanding a juridical pronouncement on the case. The League Council, however, is not a juridical body. For this reason, the issue was referred to the World Court as the only competent body. But, though the insistence of creditors is legitimate, the consequence probably will be to increase the Austro-German sense of confinement and subjugation, to intensify extremism, and to jeopardize the position of the moderate governments in both countries.

New Developments

Meanwhile, 3 further new developments are notable: (1) Austria and Germany not only accepted the proposal to submit judgment to the World Court but have undertaken to suspend further consolidation measures pending the decision; (2) Italy unexpectedly has abandoned its equivocal position toward the *Anschluss* and, to the surprise of most European observers, has joined the French in declaring it illegal; (3) Briand's "Great Plan" contained one

Wide World

BLACK GOLD—*Russia's caviar runs into money, some $3½ millions worth was exported in 1929-30. England and America are the best customers*

provision not previously announced, that "powers interested in the maintenance of the *status quo* in Europe, especially in the maintenance of Austrian independence, must enable Austria to maintain its economic life within the given political frontiers."

If Austria is prepared to abandon the *Anschluss* and other preferential regional trade pacts (meaning the recent Austro-Italo-Hungarian agreement) France is prepared to extend to Austria financial help and tariff advantages.

Suspicion Aroused

Will Austria accept? More than one observer, knowing that Austro-German economic consolidation is not without disadvantages, if not actual liabilities, has from the first sought a further ulterior objective in the *Anschluss* maneuver. Some believe it was conceived merely as a stepping stone to creation of a central European economic bloc which eventually would control the Balkans and open an avenue for expansion in the Near East. Others have suspected that the *Anschluss* was a form of economic blackmail, by which, if it was juridically sustained, Austria and Germany would be able to force other concessions.

What Concessions?

What concessions? Austria needs, primarily, financial and export markets. Germany, primarily, needs financial markets and a reduction of reparations. France—if Briand still is qualified to speak for France—now conditionally offers Austria her primary needs. There remains Germany.

With the *Anschluss* possibility to the north, and with regional preferential trade agreements to the south, Vienna for the moment has become the pivot of Europe's economic and political complex which is more in flux than at any time since the war.

Decision Vital

Will Austria now abandon not only Germany, but the opportunity to seize control of her own destiny and accept the immediate advantage of the French offer? Will France, in turn, recognize her opportunity to offer Germany equivalent concessions and thereby gain both the abandonment of a rival central European bloc and the chance to build Austria and Germany into her scheme of European economic consolidation?

Upon developments in the next few months, if not weeks, may depend the whole course of Europe's future. Will it return to a system of "balance of power" with its threat of recurrent war, or advance towards a new conception of "community of power"?

Business Abroad—Swift Survey Of the Week's Developments

World business is uneasy with many problems under discussion but few, if any, settled. France vs. Germany at Geneva; Russia vs. world wheat interests at London; the responsibility for calling a world silver conference; the problem of sagging prices on South American bonds.... Copper, lead, zinc fall to new lows. Wool, cotton, jute no better. Rubber alone is improved.... Germany has fresh fiscal worries. Britain shows no improvement. France, with a mild seasonal gain, is more immediately concerned with political and economic worries. ... Japan is withstanding depression, feels the worst is passed.... Central American troubles are in abeyance, but the outlook in South America is no better.

World Problems Bring Uneasiness to Business

EUROPEAN NEWS BUREAU (*Radio*)—The business picture remains confused and uncertain. Although exchanges are steady and bonds have risen strongly where influenced by the bank rate cuts, stocks have slumped conspicuously. In England, particularly, the boom in gilt-edged securities contrasts with the decline in stock levels which now are considered unprecedentedly below their intrinsic worth. A Europe-wide rally was progressing Wednesday, but it remains to be seen whether or not it will last.

Politics Disturbing

Weakness is attributable to the combination of political uneasiness centering in Geneva developments, the repercussion of Wall Street pessimism, and local depression factors. The latter is applicable especially in Germany where the fiscal deficit is now estimated to exceed $300 millions, or equal to the deficit of nearly all the rest of Europe combined.

Commodity markets are very irregular. Copper has dropped to the lowest level in 35 years, lead to the lowest in 28 years, and zinc to an all-time low. Tin rose on further restriction proposals but subsequently partially relapsed on fears of the release of stored stocks of low grade metal. Wool is weaker. Jute has again stagnated, though there is a 25% crop shortage in prospect. Cotton has entered new low ground. Rubber alone has shown indications of natural resistance, while wheat has continued steady on Continental and Oriental buying.

Keystone

SHIPS THAT PASS—*The "Bremen," westbound, is sighted from the bridge of the "Europa." These sister ships of the North German Lloyd make the fastest run, carry the bulk of the business*

Some encouragement, however, is to be drawn from April trade figures which reflect larger imports of raw materials and better exports of manufactures. Slow redistribution of capital continues. Retail sales are holding up surprisingly, and it appears current production is passing more rapidly to consumption. But the fact remains that conditions lack vitality and confidence. A new depression phase seems to have opened, namely in the scaling down of related values in retail prices, wages, and security values, toward levels already established by the primary commodities. It is not surprising that resistance to this phase of deflation has caused large-scale wage strikes, momentarily in France, Sweden, and Poland, but to be expected throughout Europe during the summer. The prospect, apart from seasonal pickups, is increasingly one of protracted basic re-equilibration and stabilization, and probably it will be months before the foundation of consistent recovery can be expected.

Tin Conference

To be featured from the point of view of events of the week is the second tin restriction conference which has recommended a further 16% cut, the opening of the London wheat conference where the American view of over-production stands in the minority against views not of over-production but of under-consumption attributable primarily to tariff disruptions of normal distribution, and to the opening of the sessions of the League of Nations at which attention centered, and was focused on the general uneasiness in connection with the Austro-German *Anschluss* proposals. Consent of Austria and Germany to submit their program to the Hague Court for pronouncement on its legality has greatly relaxed immediate fears that the European political situation was heading to a showdown, though it is not to be forgotten that the issue actually is only deferred by this action.

Austria Aided

Meanwhile, the threatening situation in Austria arising over the Creditanstalt crisis and government efforts to prevent its collapse has likewise been greatly eased through the consent of the League's control committee to further the $20-million Austrian government foreign loan.

That which is most notable in the general European situation is that at no time since the war has the European structure arbitrarily imposed at Versailles been more in a state of flux. At no time has the hegemony of France

and its allies been more threatened than by the Austro-German initiative to burst these artificially-imposed restraints. Unless Paris and Berlin are able to revive a mutual Locarno spirit or unless reparations burdens are lightened, it is entirely possible that the pent-up explosive forces in Germany will seek an outlet either through Austria to the Balkans and the Near East, or towards Russia. It is regrettable that at this moment the only Frenchman who so far has shown ability to reconcile the Franco-German viewpoints—Briand—is on the eve of resigning his position as leader of French foreign policy and guiding spirit in the stormy inter-European council chambers.

Markets Dull, Prices Down, in Great Britain

Nothing has developed to stimulate business.... Markets are dull with prices down.... Lancashire surveys its excess textile capacity.... More Russian orders.

LONDON (*Radio*)—Business is not good. The sharp rise in tin prices which followed the news from The Hague that representatives at the world tin conferences had agreed on a further production cut of 16%, was short-lived (page 33). On the stock market, industrials are flat. Only the demand for giltedged securities is booming and this following the cut in the rediscount rate to 2½% (lowest since 1909), and fresh rumors of a pending conversion issue.

Snowden May Retire

The budget has not completely withdrawn from the general economic picture. Right now it seems probable that Chancellor Snowden's continued illness is going to force him to hand over to another the duties of managing the Treasury. Speculation is rife in the City, most people expecting either William Graham or J. H. Thomas to be the successor. With Minister Graham a fanatical free trader, and Minister Thomas favorable to some system of modified protection, the choice will be significant.

Cotton Holds Interest

In Lancashire, interest now is centering in the investigation which has been started by the Joint Committee of the Cotton Trades which is aiming to eliminate surplus capacity and restore the textile industry to a profitable basis. One of the recommendations of the British textile mission to the Far East was that the industry be rationalized if it is going to compete effectively with Japan in the China market.

Representatives of British miners and coal owners, and of the government, are conferring this week on the effect on working costs in the industry of the new minimum wage proposals.

Seek New Law

The miners seek legislative safeguards against the economic effect on wages of the return to the 7-hour day on July 8. The government will not legislate except to put in force the agreed scheme of the miners and owners. The problem may be solved in an international agreement for a 7¾-hour day for underground work, equalling a 7½-hour day on the British calculation of hours.

Mr. Cook, secretary of the miners' group, declares the industry must face a serious crisis in the next few weeks if the demands of the new minimum wage are not adjusted to the new hours. Leaders for the workmen charge the employers with attempting to depress the standard of living at the request of banks.

P. & O. Also Cuts

The Peninsular & Oriental Steam Navigation Co.—Britain's largest shipping concern, which under the direction of Lord Inchcape operates 437 ships with a total of 2,492,018 tons—has fallen in line with the Cunard and White Star lines in reducing salaries of all employees 10%. The plan goes into effect Aug. 1.

Russian orders are again coming to the fore. The British Iron & Steel Co. has received an order for 30,000 tons of hematite, valued at $500,000. Tin plate orders just received from Moscow for immediate delivery are worth another $300,000. It is known that International Nickel also has closed a deal with the Soviets but the amount involved and the terms have not yet been revealed.

Workers for Soviet

The British public is interested in the Soviet deal with the Metropolitan Vickers Co. for technical assistance. While there are nearly 4,000 German engineers and technicians and 3,000 Americans in Russia assisting with the Five-Year Plan, only 200 Britishers are reported employed by the Soviets. The new M-V deal is something of a criterion in Britain. Workmen are lent with the consent of M-V executives. Payment is made in rubles to the workmen and in sterling to his family in England. In the case of senior executives, the company pays them a retainer to ensure their return to their former employment.

Keystone

'SAFE MAN"—*Paul Doumer, retiring president of the Senate, who became the President of France. Very old, very conservative, he is everything that Briand is not*

The Polish government is completing negotiations with a British firm for the construction of telephone lines in Poland. Long term credit has been arranged on the $10-million expenditure.

Unemployment Lessened; Business Better in France

Business well maintained.... Unemployment down; price deflation continues, especially in domestic products and foodstuffs.... Conversion of $4.4 billions of public debt considered imminent.... Textile strike bad omen.

PARIS (*Radio*)—Business is maintaining the slight tendency toward improvement evident during the last 3 weeks. For the fourth consecutive week registered unemployment is down, this week a full 2%. On the other hand, 100,000 textile workers in the Roubaix district have gone on strike and another million are likely to be affected.

Last week's slight price declines have proved to be more than incipient, have actually gained considerable momentum in the ensuing week. The average wholesale price is down a further 1%.

What is most gratifying is the fact the sharpest reductions have come in the most inflated categories, notably domestic products as distinguished from imported products, and foodstuffs more than industrials. Business sentiment, however, feels the return to normalcy still is remote.

Tension Eases

Politics still are in the foreground, though with Briand at the helm in foreign negotiations, and with the Austro-German move referred to the Hague Court and so out of the immediate picture, the country is somewhat less tense than in recent weeks.

The stock market, after last week's technical rally, has plunged to new lows, due partly, no doubt, to political nervousness. April foreign trade, allowing for fewer working days, sustained the first quarter average but failed to reflect the anticipated seasonal expansion. Compared with last year, imports were down 14% (raw stuffs 32%); exports dropped 24% (manufactures 29%).

Conversions Discussed

Conversion operations on a large scale are again being prominently discussed in financial circles. It is to be recalled that the fiscal relief they will bring to an over-burdened budget caused them to be discussed seriously last November and again in February. At that time 4 issues of government bonds dating since 1915 and aggregating $2.7 billions were discussed for conversion from 5% and 6% rates to 4% or 4½%. This week's financial rumor runs the total of outstanding loans likely to be converted to $4.4 billions. A less-than-4% rate is not impossible on the present market, but the fact that holders of the bonds are small investors is likely to cause politicians to attempt to bargain for no less than a 4% rate. From the profit of the conversion operation, $40 millions are to be advanced to the Treasury to balance the 1932 $2-billion budget.

Strike Portentous

The strike of 100,000 textile workers in the Lille district is taken seriously in France for 2 reasons: (1) as a precedent, it is likely to affect the million or more textile workers in the rest of the country; (2) as an augury of wage troubles likely to follow in other industries during the summer. There is an indication, too, that French workers anticipate no business improvement during the next few months. The total cut proposed was 10%. Only 4% of this was to become effective May 18. The other 6% was to follow in 3 months only if economic conditions did not improve. Inasmuch as 500,000 miners ac-

cepted a 6% cut a month ago, the textile workers are likely to have accepted the 4% reduction if there had been any prospect of avoiding the other 6%.

German Business Awaits Customs Union Decision

Last week's pessimism has not diminished. The delay on the customs union decision creates uncertainty and uneasiness. . . . Stocks drop to new lows. Seasonal activity is falling off. Labor is restive. . . . Department stores are in favorable position.

BERLIN (*Cable*)—Suspense over the Austro-German issue, and the pending ruling of The Hague tribunal, combined with the strong financial anti-union pressure upon Austria, are factors of uncertainty and uneasiness to business in the next months. Another perturbing factor is the certain prospect of a new big budget deficit. To cope with the latter, the government plans drastic economy measures expected to be promulgated in an emergency decree by the end of May.

Gloomy Prospects

The business outlook is gloomy. Stock prices are again at midwinter lows, the money situation is unaffected by European bank rate cuts and the possibility of a reduction of the Reichsbank rate is remoter than ever. The issue of 6% postal notes was only half subscribed, despite the attractive terms. This failure is symptomatic of the restricted capacity of the German market. In most industries, the slight seasonal revival has subsided. The coal situation is critical as stocks have risen a further 25% since the yearend. Ruhr employers have notified the government of the termination of their wage agreement on July 1 when labor trouble is imminent.

The 16% increase in April imports reflects depleted stocks of materials, notably cotton and wool, while the 6% drop in exports is considered seasonal.

The Golddiskontbank recently approached the B. I. S. soliciting rediscount of guaranteed Soviet bills, but met with a flat refusal.

Preliminary figures for 1930, now available, show that the German department stores have shown considerable resistance in the depression. Sales went down only 7%, compared with a general decline in retail sales of 10%. Despite their comparative youth, department stores in Germany are responsible for 7% of total retail sales, compared with 10% in the United States.

An interesting feature of these sta-

tistics is the fact that, in spite of smaller turnover, the ratio of operating cost to total sales increased only from 23.6% to 24.9%. Medium-sized department stores (annual turnover $1½ to $4½ millions) seem to be operating more economically than either the larger or the smaller units. Their ratio of operating expenses was 22.9%, against 25.9% for the smaller stores and 24.1% for the larger ones. Inventories were down 17%, which ought to correspond more or less to the price fall.

Karstadt Hit Hardest

While, on the whole, German department stores did not do too badly in 1930, the leading concern in this line—Karstadt of Hamburg (well known by its bond issues in New York)—seems to be in serious difficulties owing to over-expansion and unhealthy methods of financing (excessive proportion of bank debts). It is now certain that Karstadt will have to pass dividends after having paid 12% for the last 3 years. Karstadt shares, which slipped from 67 at the end of 1930 to 57 at the end of April, dropped as low as 45 on May 8 when the last hopes for a dividend vanished.

For the last few years, Karstadt has gone largely into manufacture, bought textile and other plants. Adding manufacturing risks to those of distributing seems to have proved an unprofitable and unsound policy. Last fall, Karstadt began to sell his manufacturing interests, but was too late to avoid losses.

Low Bond Prices Unsettle Latin American Business

Falling bond prices indicate growing weakness in nearly all countries. Commodity prices and political instability are blamed. . . . Brazil aims at 5-year plan for coffee stabilization. . . . Argentina unsettled.

NEWS from Latin American capitals, the general trend of commodities and metal prices—including copper, tin, nitrates, cotton, sugar, cocoa—and the heavy slumping of South American bonds, all are darkening the business outlook in the Latin world.

Bond prices in particular are continuing down, though many had reached amazing lows several weeks ago. If prices on the outstanding issues of Bolivia, Brazil, and Peru in particular can be taken as an index, present business and future prospects are ebbing. Even bonds from as stable a country as Chile, where credit standing has been high for years, show signs of weakening.

On the New York bond market, it is reported that Chile is endeavoring to float a large French loan to consolidate outstanding indebtedness, but Paris reports nothing definite along these lines.

In Brazil, the coffee conferees are working on a scheme for quota production, definite prices by grades, a uniform tax of ½¢ a pound to create an international coffee advertising fund, the whole to be embodied in a 5-year plan.

Niemeyer Report Due

The report of Sir Otto Niemeyer on Brazilian economic and financial conditions is thought to be completed and is expected, in financial circles, to be released from London soon. Forecasters expect, among other expediency measures, that it will recommend that a 2-year moratorium be declared on all outstanding loans of the federal, state, and municipal governments.

Argentina still is swayed by political movements but Provisional President Uriburu is exercising firm control over irresponsible radical elements, and is expected to bring the country through to a national election though it may result in the defeat of his party.

Foreign trade for the first quarter is down 16.8%, with imports off 18.8%, exports 14.7%. Crops are good and shipments steady but prices are lower than a year ago. The stock exchange is inactive and government bonds are weak because of political nervousness.

Japan's Government Plans Wage Cut; Markets Better

Markets improve with lower money rates . . . . Wage cuts contemplated by government; would save $8 millions.

BUSINESS in Japan, reflected on the bond, stock, and commodity markets, reacted upward last week, due, largely, to cheaper money rates.

Depression, however, is not at an end. Faced with the marketing of a new silk crop at practically the same price levels which have maintained now for a year, the government Department of Agriculture reports a drop in the silk cocoon crop of 8.1% compared with last year.

In Tokio, government officials are arguing the wisdom of salary cuts for all employees. Cuts will vary from 2% to 12% according to the salary rate, and will become effective June 1 if the law is passed. Nearly $8 millions will be saved in a total government payroll of $250 millions. No salaries under $25 a month will be cut.

The Figures of the Week And What They Mean

No halt in the declining trend of stock, money, and commodity prices is yet apparent.... April employment in manufacturing declined less than usual, while seasonal gains were reported in other industrial groups.... Exports during April shrank somewhat less than in the preceding three years, while imports lost more than customary for the period in the last 5 years.... *The Business Week* index of business activity reveals little change in the general situation for the week of May 16, dropping only fractionally to 78.4% of normal from the revised figure of 78.7% maintained the two preceding weeks. Carloadings, steel production, and check payments were smaller.... The decline in May building operations was due chiefly to a falling off in public works contracts, while residential construction is fairly steady.

STEEL operations fell off 2% during the week of May 18, leaving the industry at 44% of capacity, after a steady decline from 57% peak reached toward the close of March. This compared with 74% last year, 96% in 1929, and the 5-year average of 83%. Our adjusted index declined only slightly to 64% of normal. The situation in the industry appears little changed from recent weeks. Orders continue to be small and for prompt delivery, a condition that will prevent complete shutdowns at least during the summer months.

Structural Steel

Some concern is expressed by trade journals that fabricated structural steel orders lag so far behind the inquiry tonnage. The weekly reports of the Department of Commerce show violent fluctuations in fabricated structural steel bookings, but in general the trend appears upward since January, while shipments have declined gradually during the last 8 months. Pipe line demand is expected to come forward in June. Road-building activity is stimulating some steel demand, while farm implement makers and tin plate producers are reducing operations. Railroad equipment manufacturers report continued quietness. April shipments of locomotives totaled only 15 against 10 in March and 97 a year ago. For the first 4 months, only 56 locomotives have been shipped against 284 in 1930 and 138 in 1929. Unfilled orders stand at 80 against 469 a year ago and 498 two years ago.

Automobile Production

Automobile production appears to be maintaining the same rate as that of recent weeks, though the future schedule is more dubious since operations are subject to sudden changes. The *Iron Age* feels that a total output of 370,000 cars for May is virtually assured, while June may turn out 325,000 units. Chevrolet is operating its 11 manufacturing plants an average of 6 days and 5 nights weekly, while its assembly plants are on a 5½-day basis.

Building construction during the first half of May tapered off as is customary. Our adjusted index for the week of May 15 stands at 58% of normal against 58% the preceding week and 59% two weeks ago. Total contracts for the first 13 business days of May totaled $156,136,000, which represents a 7% de-

	Latest Week	*Preceding Week*	*Year Ago*	*Average 1926-1930*
THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	*78.4	†78.7	98.1	......
Production				
Steel Ingot Operation (% of capacity)	44	46	74	83
Building contracts (F. W. Dodge, 4-week daily average in thousands)	$12,591	$12,714	$19,645	$22,318
Bituminous Coal (daily average, 1,000 tons)	*1,118	†1,070	1,381	1,457
Electric Power (millions K.W.H.)	1,614	1,600	1,669	1,489
Trade				
Total Carloadings (daily average, 1,000 cars)	125	129	155	168
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	88	90	103	109
Check Payments (outside N. Y. City, millions)	$4,054	$5,122	$5,480	$5,532
Money in Circulation (daily average, millions)	$4,670	$4,695	$4,485	$4,716
Prices (Average for the Week)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.73	$.73	$.98	$1.33
Cotton (middling, New York, lb.)	$.093	$.099	$.164	$.185
Iron and Steel (STEEL composite, ton)	$31.37	$31.37	$33.56	$36.24
Copper (electrolytic, f.o.b. refinery, lb.)	$.087	$.088	$.127	$.142
All commodities (Fisher's Index, 1926—100)	71.8	72.0	88.7	95.4
Finance				
Total Federal Reserve Credit Outstanding (daily average, millions)	$921	$967	$971	$1,186
Loans, Investments, Federal Reserve reporting member banks (millions)	$22,778	$22,768	$22,616	$21,333
Commercial Loans, Federal Reserve reporting member banks (millions)	$7,879	$7,886	$8,560	$8,763
Security Loans, Federal Reserve reporting member banks (millions)	$7,046	$7,036	$8,246	$6,817
Brokers' Loans, N.Y.Federal Reserve reporting member banks (millions)	$1,631	$1,671	$4,015	$3,866
Stock Prices (average 100 stocks, Herald-Tribune)	$121.21	$125.32	$174.09	$150.83
Bond Prices (Dow, Jones, average 40 bonds)	$95.67	$95.95	$95.15	$96.22
Interest Rates—Call Loans (daily average, renewal)	1.3%	1.5%	3.0%	5.2%
Interest Rates—Prime Commercial Paper (4-6 months)	2¼%	2¼–2½%	3¾–4%	4.5%
Business Failures (Dun, number)	516	632	517	459

***Preliminary** **†Revised**

cline from April on a daily average basis and a 32% drop from a year ago when government support of construction was particularly active.

Construction Awards

Construction awards were almost equally divided between the three main groups, public works and utilities totaling $56,100,800, non-residential valued at $52,616,900, and residential at $47,418,300. On a daily average basis, the greatest decline from the preceding month was reported in the group public works and utilities amounting to over 15%, while non-residential awards declined over 2% and residential slightly over 1%. The strength of residential construction is more apparent in the metropolitan area, where this group formed 60% of all contracts awarded, and the non-residential and public works awards fell to about half of the volume for the first half of April. Residential construction in this area has been of such volume that brickyards have doubled shipments compared to last year. Prices have been advanced 50¢ a thousand during the month and an additional advance is not unlikely.

Bituminous coal production during the week of May 9 continued the upward trend begun last week, but the increase is somewhat less than expected at this season so that our index has fallen back to 61% of normal from 64% the preceding week.

Electric Power

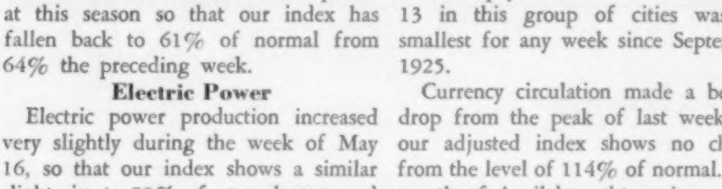
Electric power production increased very slightly during the week of May 16, so that our index shows a similar slight rise to 89% of normal compared with 88% the preceding week. A detailed analysis of the distribution of the March output of electric power by the National Electric Light Association indicates a further improvement in domestic consumption compared with a year ago, or an increase of 9.2% for March against an increase of 5.6% in February. Large light and power users reflect little change during the month, continuing to show a decline of over 12%, compared with a year ago.

Carloadings for the week of May 9 declined to little more than the level of a month ago. All groups declined from the preceding week, but the greatest drop occurred in coal and miscellaneous loadings. Our adjusted index of carloadings based on the latter group and merchandise less-than-carlot loadings declined to 77% of normal from 79% which prevailed for the preceding 3 weeks. Total loadings to date are now nearly 18% below the comparable period of 1930 and 25% below the same period of 1929.

Bank Debits Decline

Bank debits showed the usual decline for the week, though the fall in the 9 large financial centers outside of New York City was somewhat greater than that in New York or in the group of 140 cities outside of New York. The decline of about 21% in this latter group caused our adjusted index to move to 86% of normal from 87% the preceding week. The total volume of check payments for the week of May 13 in this group of cities was the smallest for any week since September, 1925.

Currency circulation made a belated drop from the peak of last week, but our adjusted index shows no change from the level of 114% of normal. The month of April brought an increase of $46 millions in cash requirements over March, which is believed due to seasonal pickup in retail trade, agricultural and industrial activity.



The Index

The weekly index of general business activity, first of its kind, is compiled by *The Business Week* from 8 series of weekly figures —steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation see *The Business Week*, May 7, 1930, p. 39.

The decline in wholesale prices recorded by the weekly indicators was confirmed by the April report of the U. S. Bureau of Labor Statistics. With the exception of the house-furnishing group, which remained unchanged, every group declined from the March level. The total index covering 550 commodities fell 1½% during the month, and the weekly indexes of Fisher and the National Fertilizer Association indicate that the trend has continued through the middle of May.

Copper Hits New Low

In the metals market copper broke all records on May 20 when custom smelters offered sizable tonnages at 8⅜¢ a pound delivered. World copper production figures were not particularly significant since the daily rate remained above January. Curtailment was largely restricted to the United States. Lead, zinc, steel scrap and iron prices remained largely unchanged. Rubber, cocoa, sugar, and coffee were irregular. Wool remained steady, while cotton broke to the lowest point since 1915 on the New York Exchange. Wheat moved within narrow limits, while corn declined. Cattle and hog prices declined at Chicago.

Commercial loans continue to contract instead of showing the usual spring rise that accompanies seasonal expansion of demands. Our index remains at 110% of normal. It is probable that the shrinkage in loans is partially accounted for by a transfer of credit demands from the banks to the bill market where better terms are available to strong commercial borrowers.

Trends of the Markets In Money, Stocks, Bonds

Depositors generally are feeling the money rate slashes of recent weeks. . . . Only a few borrowers are benefited as yet. . . . The bond market is disappointing, government issues being chief beneficiaries from cheaper money. . . . Stock prices dropped further on more bad news, deepening gloom.

Deposits and Bills Feel Pressure of Reserve Policy

BANKS passed lower money rates on to their customers this week—through numerous cuts in rates paid on deposits, not loans. New York City banks led the movement with an all-around cut of ½%. Savings depositors are beginning to feel the pressure as "thrift" deposit rates are cut, and the chances increase that the savings banks will fall in line.

This week, for the first time, individuals and corporations began to feel the effects of the easy money policy instituted several weeks ago by the Federal Reserve system. The Reserve's general cut in rates was designed to make short-term investment unprofitable for banks and thus force them to buy bonds. Through the banks, which were expected to be forced to cut deposit rates, pressure was also aimed at individuals and corporations.

Immediately, money was forced into the bonk market—but largely into government bonds. Also funds are being driven out of New York City. They will now earn more invested in other cities. However, several weeks must elapse before the full effect of the pressure can be seen. And appreciably lower rates on bank loans to customers will come at as slow—or slower—rate.

Meanwhile, those businesses which can are borrowing in the open market through acceptances and commercial paper, especially the former. This, of course, puts the smaller business at a disadvantage, bringing about an even larger differential between its interest costs and those of its larger competitor than heretofore.

The Federal Reserve banks continued to pursue their paradoxical 2-direction policy; that is, they continued to force rates downward, but carefully prevented any increase in the volume of credit available. They cut their acceptance rates another ⅛%, forcing dealers down to a 1@⅞% rate on short maturities. This is the fourth time they have taken this action in recent weeks. More of the interior Reserve banks reduced their discount rates.

Reserve Credit Contracts

But the volume of Reserve credit outstanding was contracted by $24 millions this week. An additional demand for funds came with the $12-million increase in currency demand for the week ended Wednesday.

These developments offset the increase of $6 millions in gold stock and the reduction in funds required to finance the stock market, where declining prices freed $40 millions, sending loans to brokers and dealers to a new low level.

The contraction in Reserve credit resulted from maturing of acceptances held by the Reserve banks, not replaced despite the further reduction in the bill buying rate. A very slight pickup in demand for money resulted in a slight increase in bank borrowing from the Reserve system outside of New York.

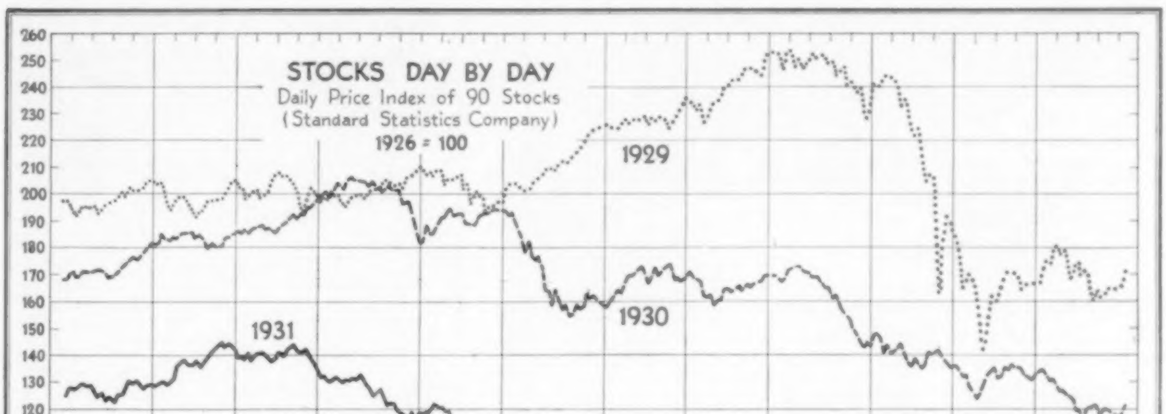
The volume of acceptances outstanding at the end of April showed a decline, but less than seasonally, figures made public this week show. This is clear evidence that the strong commercial borrower is turning to bills and away from the higher bank charges for commercial loans.

Stock Market Reads Bad News; Ignores Good

STOCK prices swept downward this week in another severe, though orderly, recession, reaching new lows for the depression and entirely wiping out the effects of the slight rally early in the month. Market leaders were hardest hit.

Within the market itself the only favorable sign was a rally in the hitherto extremely weak railroad section. But it was not a very convincing demonstration since the only discernible basis for such a rally was some strengthening of railroad moves toward rate increases.

Among outside factors that would ordinarily be called bullish, the very favorable long-term money situation was ignored; the fact that the Federal Reserve system, after a long delay, is now making almost melodramatic efforts to



help was apparently not taken as an immediately encouraging sign. Better news from Europe was likewise disregarded.

There was enough bad news to explain all this: an unfavorable Supreme Court decision (page 5) precipitating wide selling of chain store stocks; depressing reports on earnings and dividends, past and prospective; a discouraging bond market; evidence that labor is becoming belligerent under the lash of wage cuts (page 9).

Short Selling Active

Short selling is active in the market at present but accounts for very little of the decline as compared with the genuine liquidation, and the feeling of depression extends far beyond those to whom a market decline in itself would seem a sufficient reason for it.

The decline of the past month has been punctuated by learned utterances that the turning point is at hand. Statistically, this is provable on several grounds, entirely logical. But the weight of the figures and logic still remain unconvincing to those who buy and sell stocks.

Bonds Remain Weak Despite Cheap Money

THE bond market proved a discouraging affair this week. All the steps taken to ease money in recent weeks were designed as much to aid bonds as for any other purpose yet the market was weak. Public utilities, by exception, held as did industrials. Rails, foreigns, and nearly all second-grade issues lost ground. Government issues made a very sharp gain, proving again that timid money driven out of short-term markets is still timid money; it seeks nothing but the highest-grade bonds.

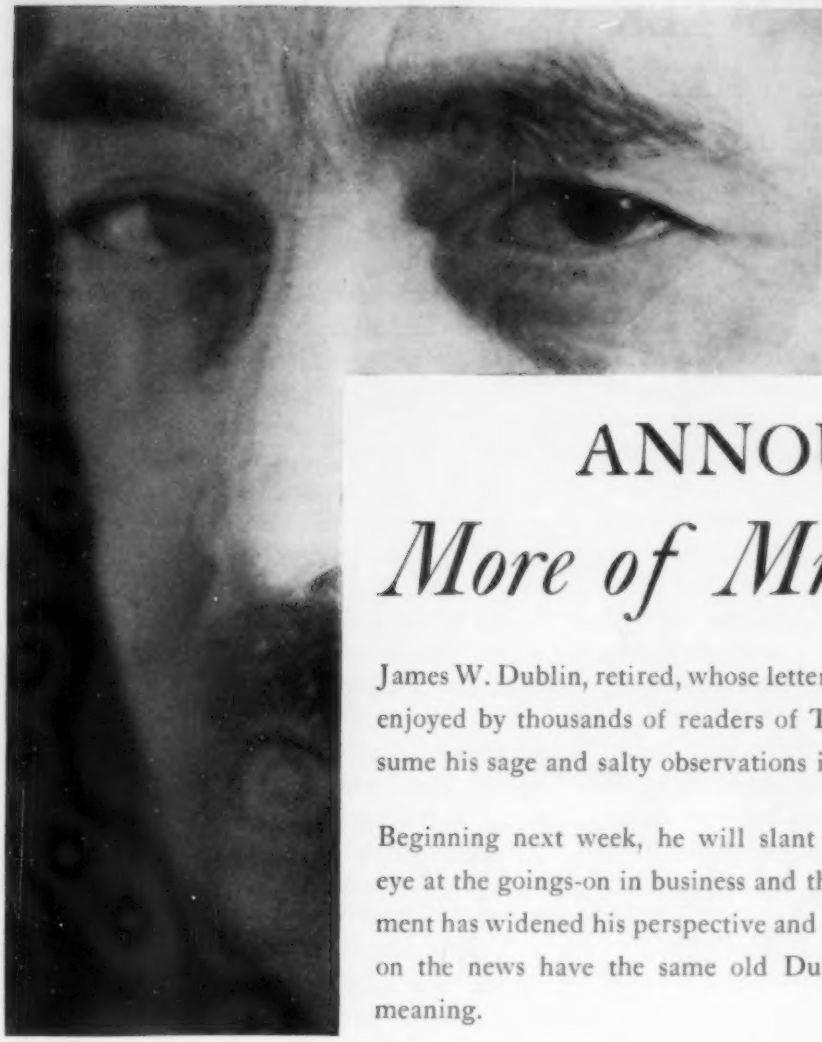
New Issues Total More

New issues totaled slightly more than last week. Several medium-sized utility borrowings accounted for most of the sum. Thus far the low discount rates have failed to help those concerns that wish to finance themselves through bonds.

The bond market's troubles are fundamental. The railroad securities are suffering because investors are worried over the future of the industry. In face of that concern, high yield is no temptation. Foreign bonds are suffering from doubt as to the worth of the majority of South American issues. The same trouble besets many of the second-grade issues.

Timidity Evident

Mere timidity in itself is, of course, responsible for much of the weakness, and many sections of the market could justifiably be much better. But some of the bond weakness is not timidity, it is intelligent concern. The big improvement in bonds will come when the cause for this concern is alleviated, or when the concern is proved unjustified. Then the powerful force of exceptionally easy money can have its play.



ANNOUNCING:
More of Mr. Dublin

James W. Dublin, retired, whose letters—now in book form—were enjoyed by thousands of readers of The Business Week, will resume his sage and salty observations in The Business Week.

Beginning next week, he will slant his shrewd, good-humored eye at the goings-on in business and the world in general. Retirement has widened his perspective and sharpened his wit; his views on the news have the same old Dublin crackle and an added meaning.

Old friends of Mr. Dublin will welcome his characteristic comment on current events; others will want to get acquainted with this stimulating personality. J. W. D. may jolt your complacencies, but he'll refresh and invigorate your thinking.

Look for James W. Dublin's column in The Business Week next week (the June 3rd issue). In it, he outlines his observations on the little recession that grew into a great big depression. Look, in future issues, for his remarks on the Bethlehem bonus, the great American handout in trade deals, and the hidden significances of Dean Donham's opus on "Business Adrift."

Next week in

The Business Week

THE BUSINESS WEEK

The Journal of Business News and Interpretation

May 27, 1931

The Last Mile

THE high-road of business development is astonishingly straight and smooth, in spite of the shifting crowd of old and new industries that travel it decade after decade. Look at the statistician's road-maps charting the growth of production and trade in this country over the past four-score years for which there are records. There are jiggles and humps from year to year; occasionally a large detour; but through them, like a stretch of railroad track across the great plains, runs the line of growth, scarcely swerving within both horizons of our time.

In the past two years business has been forced off this high-road into a long, apparently endless, detour. Never mind how; opinions differ; no one knows as yet for certain what happened on the road directly ahead in the fall of 1929. Let's call it a landslide of stock-market liquidation and credit contraction that blocked our journey. Just now we are preoccupied with the detour.

Like all detours it has carried us through country unfamiliar to this generation. The old landmarks seem to have disappeared. As always, there are no lights and it has grown very dark. The road has gotten more and more muddy and bumpy. The people we meet give confusing and contradictory directions. Our fellow-travelers — bankers, labor, government —begin to indulge in back-seat driving and start quarreling. The head-lamps that are supposed to throw some light on the road ahead give out and not even the smartest among us can scare up a match with which to read the map.

What started as a sort of lark or little joy-ride when we first turned off the main road has become a disagreeable and even dangerous adventure. The high spirits or good nature with which everybody in the old bus took the first few miles of the detour have gradually disappeared. We begin to feel forlorn and frightened, imagining that the road has been irretrievably lost and that we will have to camp out in the swamp forever.

This is the eternal delusion of the detour. We always forget that it has always been so when ever business has been shunted off the main road of progress for a long time. It is alway strongest, this delusion, when we come to the extreme reach of the detour. It always lasts fo a good while after we have turned toward the high-road again, and continues until our eyes become sufficiently accustomed to the dark t notice the familiar landmarks again.

Just now we are suffering the misery of the last mile. One by one the old landmarks are appearing; but we do not see them. Even when the strong, steady light of a crucial change in credit policy that signals the end of liquidation looms up at the Federal Reserve filling station we say it's only a will o' the wisp signifying that a swamp of stagnation surrounds the road.

The real trouble with us is that, at this stage, we are no longer willing to drive through to the end of this detour. We keep wanting to turn back. We keep looking for the landmarks of the high-road where we left it. We are even watching for something that looks like the place we passed back in 1914. As we spot the old mile-posts of pre-war prices we expect to see them matched by pre-war wages, pre-war business methods, and pre-war social standards.

But we shall never see the road again at that place. Where we hit it once more it will be a new road—the same road that stretches back into the past, of course, but we shall pick it up farther along.

Yesterday never comes back. We may as well forget it and drive this last mile to the high-road with daring, determination, and a spirit of new adventure.

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